

# **LOUISIANA’S SECTION 529 COLLEGE SAVING PLAN**

## **THE START SAVING PROGRAM**

### **DISCLOSURE BOOKLET AND PARTICIPATION AGREEMENT**



PROGRAM MANAGERS:  
LOUISIANA TUITION TRUST AUTHORITY  
LOUISIANA STATE TREASURER

**April 15, 2020**

This Disclosure Booklet is intended to comply with the College Savings Plans Network Disclosure Principles, Statement No. 6, adopted June 8, 2017.

**NOTE: Section 529 qualified tuition programs are intended to be used only to save for Qualified Higher Education Expenses. These programs are not intended to be used, nor should they be used, by any taxpayer for the purpose of evading federal or state taxes or tax penalties. Taxpayers may wish to seek tax advice from an independent tax advisor based on their own particular circumstances.**

## **NEW THIS YEAR**

**Effective December 20, 2019, Account owners may withdraw up to \$10,000, per lifetime, from START Saving Plan accounts for the payment of a qualified education loan. Additionally, account owners may withdraw funds for the designated beneficiary to attend an apprenticeship program that is offered by an eligible postsecondary institution.**

*Qualified Higher Education Expenses has been expanded to include:*

- Expenses for fees, books, supplies, and equipment required for the participation of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under the National Apprenticeship Act (29 USC 50). Earning Enhancements cannot be disbursed for payment of expenses related to attendance in an apprenticeship program that is not offered through a postsecondary institution.
- Amounts of repaid principal and interest on any Qualified Education Loan of either a 529 plan designated beneficiary or a sibling of the designated beneficiary. To be a qualified expense, the loan repayment amount for an individual is subject to a lifetime limit of \$10,000.

*A Qualified Education Loan is considered:*

- a loan you took out solely to pay Qualified Education Expenses that were used for you, your spouse, or a person who was your dependent when you took out the loan; paid or incurred within a reasonable period of time before or after you took out the loan; and used for education provided during an academic period for an eligible student. Loans from a related person or qualified employer plan are not considered qualified education loans.

# START Saving Program

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# LOUISIANA'S START Saving Program

## DISCLOSURE BOOKLET AND PARTICIPATION AGREEMENTS

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## **PREFACE**

## **DISCLOSURE**

**This Student Tuition Assistance and Revenue Trust (START) Saving Program Disclosure Booklet Provides Important Information Concerning Certain Risks Relating To The Opening Of An Education Savings Account (ESA) And The Terms And Conditions For Participating In The START Saving Program. For This Reason, This Disclosure Booklet Must Be Read In Its Entirety Before Taking Any Action To Complete The START Saving Program Account Application. Please Read It Thoroughly Before You Open An ESA And Keep It For Future Reference.**

## **PRIVACY POLICY**

Protecting the privacy of your personal information is important to us. We respect your right to privacy and recognize our obligation to keep information about you secure and confidential. We do not sell or share information about you with outside marketers.

Federal law requires us to give you this notice about our privacy policy. The law also requires us to provide you with a copy of this notice each year that you are our customer. This Notice uses the term “nonpublic personal information.” This means personal information about you that identifies you and that is not available from public sources.

We collect nonpublic personal information about you and your Beneficiary from the following sources:

- Information we receive from you on START applications, correspondence, communications, and other forms;
- Information about your transactions with us or others with respect to your START ESA (from parties such as the State of Louisiana, Department of Revenue and its agents); and
- Information received from schools the Beneficiary attends, or formerly attended, or to which the Beneficiary has applied for admission.

We do not disclose any nonpublic personal information about you, the Beneficiary, or our other current or former customers to anyone, except as permitted by law. (For example, we share such information with our contractors and agents, and to schools and the Internal Revenue Service as needed to administer your ESA in accordance with law and your direction.)

We restrict access to nonpublic personal information about you to our employees, contractors and agents who

need to know the information in order to provide service to you. We maintain physical, electronic, and procedural safeguards in compliance with federal regulations to safeguard your nonpublic personal information.

## **ACCURACY OF INFORMATION IN DISCLOSURE BOOKLET**

The information set forth herein has been obtained from official sources, which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Disclosure Booklet nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the START Saving Program or the Louisiana Tuition Trust Authority and the Louisiana State Treasurer (**Program Managers**) since the date hereof.

## **ACKNOWLEDGEMENT OF TERMS AND CONDITIONS**

This START Saving Program Disclosure Booklet contains the Terms and Conditions applicable to an Education Savings Account and the Participation Agreement. A completed START Savings Program Account Application includes an acknowledgement that you agree to be bound by the terms and conditions of this Disclosure Booklet and Participation Agreement. This Disclosure Booklet and the Account Application constitute the entire agreement between you and the Louisiana Tuition Trust Authority (**LATTA**). The Account Owner, by signing the Account Application, and LATTA, by accepting it, have entered into an agreement for an ESA in the START Saving Program administered by LATTA, subject to the Terms and Conditions and Disclosures in this Disclosure Booklet and Participation Agreement.

## **ADMINISTRATION**

The START Saving Program is administered by LATTA, a statutory board created specifically for the purpose of administering the program. Under the direction of LATTA, the Louisiana Office of Student Financial Assistance (“**LOSFA**”) manages the program on a day-to-day basis. In accordance with the Louisiana Administrative Procedure Act, LATTA has promulgated rules to implement the START Saving Program and promulgates amendments to the rules from time to time.

## **AUTHORIZED REPRESENTATIVES**

No dealer, broker, salesperson or other person has been authorized by the START Saving Program or LATTA to give any information or to make any representations other than those contained in this Disclosure Booklet and, if



given or made, such other information or representations must not be relied upon as having been authorized by the START Saving Program or LATTA.

### **BOOKLET AVAILABILITY**

This Disclosure Booklet is available as public information on the START Saving Program's Web site at <http://www.startsaving.la.gov>.

### **DEFINITIONS**

Capitalized words and terms not otherwise defined in the Disclosure Booklet have the meanings ascribed to such words and terms in the *Glossary* in Appendix B.

The following terms used in this booklet are defined as:

**“Disbursement” is referred to in the Internal Revenue Code (IRC), Section 529, as a “Qualified Distribution” or a distribution made for payment of the Qualified Higher Education Expenses of a designated Beneficiary.**

**“Refund” is referred to in IRC Section 529 as a “Non-Qualified Distribution” or a distribution NOT made for payment of the Qualified Higher Education Expenses of a designated Beneficiary.**

### **GOVERNING LAWS**

This Disclosure Booklet of the Louisiana **START Saving Program**, as implemented by LSA-R.S. 17:3091 *et seq.* (**Act**), and the Louisiana Education Tuition and Savings Fund (**Fund**) is provided in connection with the START Saving Program Account Application, which is required for the opening of an Education Savings Account (**ESA**). The START Saving Program Disclosure Booklet, including the appropriate Participation Agreement, all ESAs and the START Saving Program are governed by the laws of the United States, the laws of the State of Louisiana and the Rules and Regulations adopted by LATTA. Any amendments to the federal or state statutes, rules or regulations governing the START Saving Program will amend the Agreement and the operation of the START Saving Program.

### **LONG-TERM INVESTMENT**

The opening of an ESA is necessarily a long-term investment because, generally, no payment is made from an ESA until a Beneficiary enrolls in an Eligible Educational Institution. An ESA should not be opened if the Account Owner anticipates liquidity needs or other financial needs that will require the Account Owner to terminate or withdraw funds from an ESA in order to provide for such needs. ESAs are generally nontransferable and no market for resale is known to exist. If an investment in an ESA is liquidated for uses other than

Qualified Higher Education Expenses, the Account Owner or the Beneficiary may incur additional income tax liability and will forfeit Earnings Enhancements. An Account Owner may not transfer ownership of an ESA to another in order to liquidate the investment.

### **NOT AN OFFER TO SELL OR BUY**

This Disclosure Booklet does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of START ESAs by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. START ESAs have not been registered with or approved by the United States Securities and Exchange Commission or any state securities commission.

### **OFFERING MATERIALS**

This Disclosure Booklet with the accompanying Account Application has been identified by Louisiana's START Saving Program as the Offering Materials intended to provide substantive disclosure of the terms and conditions of an investment in Louisiana's START Saving Program. These Offering Materials comply with the College Savings Plans Network Disclosure Principles, Statement No. 5, adopted May 3, 2011.

### **OTHER STATES' QUALIFIED TUITION PROGRAMS**

IRC Section 529 Qualified Tuition Programs offered by other states may offer tax or other benefits to taxpayers or residents of those states that are not available under Louisiana's START Saving Program. If you live outside of Louisiana, you should consider the college savings program offered by your home state or the state where you are employed prior to making a decision to open an ESA in the START Saving Program.

### **PARTICIPATION AGREEMENTS**

Each of the Participation Agreements that are included in Appendix A of this Disclosure Booklet is a contract between LATTA and an Account Owner. Those portions of the Disclosure Booklet concerning the START Saving Program and the terms applicable to START ESAs, as modified from time to time, are incorporated by reference into the Participation Agreements. Statements contained in this Disclosure Booklet which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

### **SPEAKERS AVAILABLE**

If you would like to host a Louisiana START Saving

Program information session at your child's school, sponsor an employee forum at your workplace, have a speaker at a meeting of a social or community organization, or have a neighborhood meeting for the parents and grandparents on your block, please let us know. Our Public Information Specialists travel the state providing various groups and organizations with complete information on how the Louisiana START Saving Program can help parents, grandparents, and others save for a child's college education. To schedule a speaker/presentation for your group, email our office at [custserv@la.gov](mailto:custserv@la.gov). If you prefer, you can also schedule a speaker/presentation by calling our office at 1-800-259-5626 between the hours of 8 a.m. – 4:30 p.m. CST.

## **OVERVIEW OF KEY FEATURES**

### **PURPOSE**

The Louisiana START Saving Program was created by the Louisiana Legislature, through adoption of Act 547 of the 1995 Regular Session (the Act), to help make education affordable and accessible to all citizens of Louisiana, to encourage savings and to enhance the ability of citizens to obtain access to institutions of postsecondary education. The START Saving Program is Louisiana's Qualified Tuition Program under Section 529 of the Internal Revenue Code of 1986, as amended from time to time (**IRC**).

The START Saving Program is designed to allow individuals to save for Qualified Higher Education Expenses (**QHEE**) for the postsecondary education of ESA Beneficiaries. (See the *What are Qualified Higher Education Expenses?* section, below.) The START Saving Program treats Deposits in a tax-favored manner under the provisions of IRC Section 529. To encourage college savings, the State of Louisiana does not tax earnings when used to pay for QHEE and matches a portion of an Account Owner's Deposits. (See the *Earnings Enhancements (EEs)* section below for more information.)

### **WHAT ARE QUALIFIED HIGHER EDUCATION EXPENSES?**

Qualified Higher Education Expenses are:

1. Tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated Beneficiary at an Eligible Educational Institution; and
2. Room and Board; and
3. Expenses for Special Needs Services in the case of a Special Needs Beneficiary, which are incurred in

connection with such enrollment or attendance.

4. For calendar 2015 and thereafter, expenses for the purchase of computer or peripheral equipment, computer software, or Internet access and related services, if such equipment, software, or services are to be used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution. Expenses for computer software designed for sports, games, or hobbies are not qualified higher education expenses unless the software is predominately educational in nature.
5. Expenses for fees, books, supplies, and equipment required for the participation of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under the National Apprenticeship Act (29 USC 50). Earning Enhancements cannot be disbursed for payment of expenses related to attendance in an apprenticeship program that is not offered through a postsecondary institution.
6. Amounts of repaid principal and interest on any Qualified Education Loan of either a 529 plan designated beneficiary or a sibling of the designated beneficiary. To be a qualified expense, the loan repayment amount for an individual is subject to a lifetime limit of \$10,000.

Other expenses to attend college such as transportation, child care or other miscellaneous costs are not Qualified Higher Education Expenses.

### **DEPOSITS AND INVESTMENTS**

All Deposits to an ESA are voluntary. All Deposits will be placed initially in the Louisiana Principal Protection Fund, which is in the Louisiana Education Tuition and Savings Fund (the Fund) managed by the Louisiana State Treasurer.

An Account Owner may select START Saving Program investments that offer Fixed Earnings, Variable Earnings, and/or Age-Based Funds.

Moneys Deposited for investment in the Principal Protection Fund (Fixed Earnings) are invested by the State Treasurer. (See the *Louisiana Education Tuition and Savings Fund* section below for more information.)

Moneys Deposited for investment in Variable Earnings funds or Age-Based Funds are held in the Louisiana Principal Protection Fund until the Trade Date, when they are invested by the State Treasurer in one or more mutual funds managed by The Vanguard Group. The particular Vanguard fund or funds in which an investment option invests are selected by the Louisiana State Treasurer and may change over time. As an Account Owner, you will

own an interest in the START Saving Program, but you will not own shares of the underlying Vanguard funds.

### **DOCUMENTS IN GOOD ORDER**

To process any transaction or request related to an ESA, any documentation pertinent to the transaction or request must be executed when required and properly, fully, and accurately completed. LATTA may refuse to accept an Account Application or to process a transaction based upon the applicant's or Account Owner's failure to provide adequate documentation or to meet certain conditions set forth in the Terms and Conditions of this Disclosure Booklet and/or in the rules and regulations adopted by LATTA.

### **EDUCATION SAVINGS ACCOUNT (ESA)**

Upon LATTA's acceptance of an Account Application, an individual ESA will be established in the name of the Account Owner and for the benefit of the named Beneficiary. A Beneficiary must be a Natural Person. Funds are Disbursed from the ESA for the purpose of paying the Qualified Higher Education Expenses of the Beneficiary for attendance at an Eligible Educational Institution.

### **EXTENT OF GUARANTEE**

LATTA guarantees the payment of the Redemption Value of funds contributed to an ESA that are invested in the Principal Protection Fund. In the event an ESA is terminated within twelve (12) months of the date the ESA was opened, the Refund will be equal to the Deposits made or the current value of the Deposits, whichever is less. **THE REFUND WILL NOT INCLUDE INTEREST OR EARNINGS ENHANCEMENTS.** The Act provides that the Louisiana Legislature will authorize appropriations for the funds necessary to meet the payment demands made upon the Fund in the event the Fund has insufficient moneys on hand to meet those obligations.

No representation is made and no guarantee is given as to the rate of return (interest) on moneys in the fund that are invested in the Principal Protection Fund.

Neither LATTA, LOSFA, the Louisiana State Treasurer nor the State of Louisiana guarantee the moneys that are invested in Variable Earnings funds. Deposits to Variable Earnings funds that are invested by the START Saving Program in funds of The Vanguard Group are neither guaranteed nor insured by The Vanguard Group, the FDIC, or any other entity. The value of your ESA will depend on market conditions and the performance of the underlying funds in the investment(s) you select. Data showing the performance of the START investments is presented in charts in Appendix E. **INVESTMENTS IN VARIABLE EARNINGS FUNDS CAN GO UP OR**

**DOWN IN VALUE, AND YOU COULD LOSE MONEY BY INVESTING IN THESE FUNDS.**

### **INVESTMENT MANAGEMENT**

All Deposits to the START Saving Program are invested on behalf of the program by the Louisiana State Treasurer. The Louisiana Principal Protection Fund is managed by the Louisiana State Treasurer. (See the *Louisiana Education Tuition and Savings Fund* section below for more information.) The Variable Earnings funds and Age-Based Funds are managed by The Vanguard Group, which is under contract to the Louisiana State Treasurer and LATTA. (See *Equity Investments* below for more information.) The current contract between The Vanguard Group, the Louisiana State Treasurer and LATTA is set to expire on December 31, 2019, at which time a new contract will be negotiated with an equity manager selected by the State Treasurer.

### **OBLIGATION OF LATTA**

After an Account Application has been accepted and Deposits are being made according to the Terms and Conditions of the Agreement, LATTA is obligated to Disburse funds to an Eligible Educational Institution, Account Owner and/or Beneficiary designated by the Account Owner, up to the Current Value of the ESA, to pay for the Qualified Higher Education Expenses of the Beneficiary. The START Saving Program does not assist a Beneficiary with respect to admission, continued attendance, or graduation from a particular postsecondary institution.

Once the ESA is established, the Account Owner will choose from the Investment fund to receive Deposits made to the ESA.

### **OPENING AN ESA**

In order to participate in the START Saving Program, a prospective Account Owner must complete a START Saving Program Account Application designating a Beneficiary to receive funds contributed to the ESA (and earnings thereon) to pay for Qualified Higher Education Expenses at an Eligible Educational Institution. Submission of an Account Application is acceptance of the terms and conditions of the Participation Agreement in this Disclosure Booklet. The Participation Agreement is subject to applicable federal and state statutory requirements and the program rules. The rules may be obtained from LOSFA or accessed at the information center on LOSFA's Web site: <http://www.startsaving.la.gov>.

### **Who May Open an ESA?**

An ESA may be opened by an individual, a Legal Entity, or a custodian who meets the following requirements:

- Both the Account Owner and the Beneficiary are U.S. Citizens, are permanent residents of the United States, or are lawfully residing in the United States and have a valid social security number.
- Either the Account Owner or the Beneficiary must be a Louisiana Resident.
- Individual Account Owners must be at least eighteen (18) years old at the time the ESA is opened.
- An authorized representative of a Legal Entity must open an ESA in the name of the Legal Entity.
- Custodians for minors under the Uniform Transfers to Minors Act (**UTMA**) and custodians of minors appointed by courts of competent jurisdiction may open ESAs in the name of the minor; however, these ESAs are classified as Category IV ESAs with a maximum Earnings Enhancement of two percent (2%).
- Signing the Account Application is your agreement to the terms and conditions of the Participation Agreement (individual, Legal Entity or custodian) that is applicable to your status.

### Participation Agreements

There are Participation Agreements for individuals, Legal Entities and for custodians, whether appointed by a court or in accordance with UTMA. Each is found in Appendix A to this Disclosure Booklet. The Participation Agreement applicable to the status of the person opening the ESA is the contract among the Louisiana State Treasurer, the Louisiana Tuition Trust Authority, and the Account Owner. All the terms, conditions and disclosures contained in this Disclosure Booklet, as modified from time to time, are incorporated by reference into the Participation Agreements.

### How to Open an ESA

If you are an individual opening an ESA in your name, you must (i) complete a paper Account Application for Natural Persons, or (ii) complete the Account Application for Natural Persons online at the START Saving Program's Web site at <http://www.startsaving.la.gov>.

If you are an authorized representative of a Legal Entity, you must complete a paper Account Application for Legal Entities. You will be required to submit documentation corroborating your authority to sign on behalf of the Legal Entity. See the *Participation Agreement for Legal Entities* in Appendix A for a list of approved documentation.

If you are the custodian of a minor child, whether you were appointed by a court or in accordance with UTMA, you must complete a paper Account Application for Natural Persons with certain notations. Before submission of the Account Application, call the START Saving Program for instructions. You will be required to provide documents corroborating your status as custodian.

All Account Applications are available from the START Saving Program (See *Contact Us* in Appendix C.) or may be downloaded from the START Saving Program's Web site at <http://www.startsaving.la.gov>.

## RESTRICTIONS AND LIMITATIONS

### Disbursements and Refunds

Disbursements and Refunds are restricted. (See the *Disbursements* and *Refunds* sections below for more information.) On the date an ESA is opened, either the Account Owner or his designated Beneficiary must be a Louisiana Resident, as defined in §107 of the START Saving Program rules.

For tax purposes, Disbursements should be requested during the calendar year QHEEs are incurred.

Disbursements from an ESA are made for payment of a Beneficiary's Qualified Higher Education Expenses at an Eligible Educational Institution and may not exceed the Qualified Higher Education Expenses for the institution attended by the Beneficiary. A Disbursement made for a Beneficiary who does not enroll in an Eligible Educational Institution constitutes a Refund and the amount Disbursed must be redeposited into the ESA within sixty (60) days. LOSFA reserves the right to recover the amount of the Earnings Enhancements and interest thereon included in the Disbursement from any principal and interest remaining in the ESA, to Refund any balance remaining in the ESA, and to close the ESA. (See the *Refunds* section below for more information.)

### Maximum Total Account Value

The total value of an ESA cannot exceed the Maximum Allowable Account Balance, which is \$500,000.00. The sum total of funds in all ESAs for the same Beneficiary may not exceed the Maximum Allowable Account Balance for that Beneficiary. Deposits can be made through automatic bank debit, payroll deduction or direct payment (including lump sums). There is no limitation on the frequency of Deposits and the minimum Deposit amount is ten dollars (\$10). (See the *Deposits* section below for more information.)

### Selection of Investment Funds

Account Owners may select one or more investment funds for each new Deposit to an ESA.

Account Owners may change the investments for existing funds in each ESA owned one (1) time during any calendar year.



## SUITABILITY

Neither LATTA, LOSFA, the Louisiana State Treasurer nor The Vanguard Group make any representations regarding the suitability of the Variable Earnings funds or Age-Based Funds to any particular investor. Other types of investments and other types of college savings vehicles may be more appropriate, depending upon your personal circumstances. Please consult your tax or investment adviser for more information.

## TRANSFERABILITY

An ESA is generally nontransferable except in the event of the transfer of ownership of an ESA due to the death or dissolution of an Account Owner (See the *Successor Account Owner* section below for further information.) or in the transfer of ownership of the account to the beneficiary of the account by a Legal Entity (See the *Transfer of ESAs* section below for more information.)

## TAX BENEFITS AND CONSEQUENCES

Significant tax consequences, both positive and negative, are connected with participation in the START Saving Program. The START Saving Program has been created by the state under the assumption that the program is tax-exempt and that the earnings generated by the investment of Deposits are tax-exempt as a result of the program being designated a “Qualified Tuition Program” in accordance with IRC Section 529. In addition to the federal and state income tax consequences, there are gift tax consequences that should be considered upon the opening of an ESA on behalf of a Beneficiary and the making of Deposits to that ESA. Both federal and State tax law benefits are available for an Account Owner who opens an ESA, including: federal tax deferral for earnings on Deposits; a limited federal tax deduction for the payment of tuition and related expenses; earnings are State and federal tax-free when used toward qualified higher education expenses; and Deposits made to an ESA may be excluded from Louisiana taxable income, up to \$2,400 per year per ESA or up to \$4,800 per Beneficiary per year for married couples filing jointly (any unused exclusion may be carried forward to subsequent tax years). Please consult your tax or investment adviser for more information. (See the *Tax and Other Considerations* section below for more information.)

## STUDENT FINANCIAL AID

The impact of an ESA on the Beneficiary’s ability to obtain federal, state or private need-based financial aid must be considered. The receipt of benefits under an ESA may affect the Beneficiary’s qualification for certain need-based financial aid. (See the *Student Financial Aid Implications* section below for additional information.)

## TERM OF THE PARTICIPATION AGREEMENT

The term of the Participation Agreement shall commence when accepted by LATTA and continue until terminated pursuant to the terms of the Participation Agreement.

## DISCLOSURES, TERMS, AND CONDITIONS

### ABANDONED ESAS

1. An ESA will be abandoned in accordance with LSA-R.S. 9:151 *et seq.*, if, during any five-year period subsequent to the Beneficiary’s thirty-fifth (35<sup>th</sup>) birthday, the Account Owner has not communicated, in writing or by other means reflected in a contemporaneous record prepared by or on behalf of LATTA or LOSFA, with LATTA or LOSFA concerning the ESA in which the funds are held, and has not otherwise indicated an interest in the funds and the Beneficiary of the ESA has not requested a Disbursement of any of the funds for Qualified Higher Education Expenses. A communication, whether in writing or otherwise, from a person other than the Account Owner will not be accepted as an indication of interest in an ESA unless documentation is provided to LATTA or LOSFA or its representative which identifies that person’s legal right to express an interest.

2. If an ESA is abandoned as described herein, it will be terminated and its funds turned over to the Louisiana State Treasurer for deposit in the Bond Security and Redemption Fund where they will be held in trust pending a claim.

### ESA CATEGORIES

3. ESAs are assigned to one of six ESA categories based on the state(s) of residence of the Account Owner and the Beneficiary and the relationship between the Account Owner and the Beneficiary at the time the Account Application is submitted. The assignment of an ESA category is permanent, except in the event of the transfer of ownership of an ESA due to the death or dissolution of an Account Owner (See the *Successor Account Owner* section below for further information.) The category assigned each ESA determines whether the ESA is eligible to receive Earnings Enhancements (EEs) and sets the percentage of Deposits that will be matched by EEs. (See the *Earnings Enhancements* section below for more information.) ESAs opened for Account Owners are assigned to one of the categories described below.

**Category I:** Parents, grandparents, court-ordered custodians, persons claiming the Beneficiary as a dependent on their federal income tax return, if, at the time the Account Application is submitted, the Account Owner or Beneficiary is a resident of the state.

**Category II:** A person or persons determined by the administering agency to be a Member of the Family of the Beneficiary and, at the time the Account Application is submitted, the Account Owner or Beneficiary is a resident of the state. Members of the family include adults related to the Beneficiary as brothers, sisters, aunts, uncles, spouses, in-laws, step-parents and step-siblings.

**Category III:** An Independent Student who is a resident of the state.

**Category IV:** Any other person or Legal Entity if, at the time the Account Application is submitted, the Beneficiary is a resident of the state.

**Category V:** Any other person or Legal Entity that, at the time the Account Application is submitted, is a resident of the state and the Beneficiary is not a resident of the state.

**Category VI:** Any other person or Legal Entity or any government entity, and at the time of the submission of the Account Application:

- (i) The Beneficiary is a resident of the state;
- (ii) The federal adjusted income of the Beneficiary's family is less than \$30,000 or the Beneficiary is eligible for a free lunch under the Richard B. Russell National School Act (42 U.S.C. 1751 *et seq.*); and
- (iii) The Beneficiary is not a member of the Account Owner's family or a member of the family of any member or employee of LATTA or LOSFA.

4. The ESA category is established based on the facts at the time the Account Application is submitted. With the exception of the change in ownership of an ESA due to the death or dissolution of the Account Owner, the ESA category will remain the same for the life of the ESA, regardless of changes in Beneficiary and/or the legal residence of the Account Owner and/or the Beneficiary. In the event of the death of an Account Owner who is a Natural Person or the dissolution of an Account Owner who is a Legal Entity, the account category will be based on the Account Owner's state of residence and the relationship between the Account Owner and Beneficiary at the time of the Account Owner's death.

5. Natural Persons and Legal Entities may open ESAs for the purpose of donating funds to assist unrelated Beneficiaries to pay for their Qualified Higher Education Expenses.

ESAs which are opened for unrelated, financially needy beneficiaries are classified as Category VI ESAs. Such donations to an ESA classified in Category VI are IRREVOCABLE. Account Owners of Category VI

ESAs may elect to change the Beneficiary or authorize LATTA to name a new Beneficiary. In the event the new Beneficiary is not a Member of the Family of the first Beneficiary, there may be tax consequences. The Account Owner should consult with a qualified tax advisor prior to making such a change.

ESAs which are opened for unrelated Beneficiaries by a Legal Entity are classified as either a Category IV or Category V ESA. The Account Owner may specify on the Account Application that ownership of the account will transfer to the Beneficiary when the Beneficiary first enrolls as a full time student in college, or when the Beneficiary reaches the age of 18, whichever is later. Funds in ESAs which are transferred to the Beneficiary in this manner may only be disbursed to pay the Qualified Higher Education Expenses of the Beneficiary.

### ACCOUNT OWNERS

6. A Natural Person must be at least eighteen (18) years of age to open an ESA. In order to name yourself as the Account Owner and Beneficiary, you must be an Independent Student and at least eighteen (18) years of age.

7. The ownership of an ESA is non-transferable and cannot be assigned or otherwise encumbered, except that a transfer of ownership will occur in the event of the death of the Account Owner who is a Natural Person or the dissolution of a Legal Entity (See the *Successor Account Owner* section below for further information.) or in the transfer of ownership of the account to the beneficiary of the account by a Legal Entity. (See the *Transfer of ESAs* section below for more information.)

8. In order to be eligible to open an ESA classified in Category VI, the Account Owner must provide a copy of the Beneficiary's family's state tax return filed with the Louisiana Department of Revenue, or a copy of the Beneficiary's family's federal or state income tax return filed for the prior tax year, or a declaration by the Beneficiary's family of its previous year's income and that a federal return was not required to be filed, or proof the Beneficiary is a ward of the court, or proof the Beneficiary is eligible for a free lunch under the Richard B. Russell National School Act (42 U.S.C. 1751 *et seq.*).

### AUTHORIZATIONS AND CERTIFICATIONS BY ACCOUNT OWNER

9. By executing and submitting the Account Application, the Account Owner certifies that he/she has read and understands the START Saving Program Disclosure Booklet and agrees to the terms and conditions of the Participation Agreement. You should retain this Disclosure Booklet for your records.

10. By executing and submitting the Account

Application, the Account Owner authorizes LATTA to access his annual tax records through the Louisiana Department of Revenue for purposes of verifying federal adjusted gross income. Social Security Numbers will be used for purposes of federal and state income tax reporting and to access individual ESA information for administrative purposes.

**11.** At the time of signing the Account Application, the Account Owner certifies that both the Account Owner and the Beneficiary are U.S. Citizens, are permanent residents of the United States, or are lawfully residing in the United States and have a valid social security number, and one or both is/are a Louisiana Resident(s).

**12.** The Account Owner acknowledges, understands, and agrees that any moneys invested in Variable Earnings funds are invested at the risk of the Account Owner and any losses of principal shall be borne solely by the Account Owner.

**13.** As an Account Owner, you agree to and acknowledge the following indemnity:

“You are opening an ESA based upon your statements, agreements, representations, warranties, and covenants as set forth in the Account Application and this Disclosure Booklet. You agree to indemnify and hold harmless the State, LATTA, the Louisiana State Treasurer, the START Saving Program, any other agency of the State, and any other counsel, adviser, or consultant retained by, or on behalf of, those entities and any employee, officer, official, or agent of those entities from and against any and all loss, damage, liability, penalty, tax, or expense, including costs of reasonable attorneys’ fees, which they shall incur by reason of, or in connection with, any misstatement or misrepresentation that is made by you or your Beneficiary, any breach by you of the acknowledgements, representations, or warranties in the Account Application, this Disclosure Booklet, or the Participation Agreement or any failure by you to fulfill any covenants or agreements in the Participation Agreement. Your statements, representations, warranties, and covenants will survive the termination of your ESA.”

**14.** LATTA may conclusively rely upon and so long as it acts in good faith, shall not be liable for taking or omitting to take any action in reliance upon any order from the Account Owner or any other notice, request, consent, certificate or other instrument or paper or electronic transmission believed by LATTA to be genuine and to have been properly executed. Any order or notification from the Account Owner or Beneficiary shall be provided in writing on an original document or, if provided by LATTA, via electronic transmission or, at LATTA’s discretion, may be provided by a copy thereof reproduced through photocopying, facsimile transmission or electronic transmission. For this purpose, LATTA may (but is not required to) give the same effect to a verbal instruction as it gives to a written instruction, and

LATTA’s action in doing so shall be protected to the same extent as if such verbal instructions were, in fact, written instructions. LATTA shall not be obligated to determine the accuracy or propriety of any such directions and shall be fully protected in acting in accordance therewith. If instructions are received that, in the opinion of LATTA, are unclear or are not given in accordance with the Participation Agreement, LATTA shall not be required to act on the instructions and shall not be liable for any resultant loss.

**15.** The Account Owner agrees that any failure by LATTA to act or delay beyond time limits prescribed by law or permitted by this Agreement is excused if caused by the Account Owner’s negligence, interruption of communication facilities, suspension of payments by another financial institution, war, emergency conditions or other circumstances beyond the control of LATTA, provided LATTA exercises due diligence as the circumstances require.

**16.** The Account Owner agrees that in the event LATTA is served with levies, attachments, summons, subpoenas, court orders or other legal processes which name any Account Owner as debtor or otherwise, LATTA shall be entitled to rely upon the representations, warranties and statements made in such legal process. The Account Owner agrees that LATTA may respond to such legal process in its own discretion without regard to jurisdiction. The Account Owner agrees to hold harmless and indemnify LATTA for any losses, expenses and costs, including attorney fees, incurred by LATTA as a result of responding to such legal processes.

### **BENEFICIARY** **OF THE EDUCATION SAVINGS ACCOUNT**

**17.** An ESA may be established on behalf of a Beneficiary by any person, whether a Natural Person or a Legal Entity, to include any Member of the Family and any Other Person. Either the Account Owner or the Beneficiary must be a resident of Louisiana at the time the ESA is opened.

**18.** The Account Owner may establish an ESA for himself as an “Independent Student,” as defined by the Higher Education Act of 1965, as amended, by designating himself as the Beneficiary. Such an ESA differs from other ESAs by the following:

- The Beneficiary of the ESA may not be changed or substituted unless the new Beneficiary qualifies under the definition of Member of the Family. (See the *Glossary* in Appendix B.)
- For the purpose of determining the Earning Enhancement Cap, the “Scheduled Date of First Enrollment” is the month and year in which the Beneficiary turns eighteen (18) years of age. For an Independent Student over the age of eighteen (18),

the scheduled date of first enrollment is the date the account is opened.

19. There is no limit on the number of ESAs that may be opened for one Beneficiary by different Account Owners; however, the sum total of funds in all ESAs for the same Beneficiary may not exceed the Maximum Allowable Account Balance for that Beneficiary and the sum of all ESAs will be used to determine the Earning Enhancement Cap for the purpose of the allocation of EEs. Each ESA may not have more than one Beneficiary. An Account Owner is not limited in the number of ESAs opened for different Beneficiaries.

### **COMPLIANCE WITH LAW**

20. The START Saving Program is established in accordance with the Act, and is a Qualified Tuition Program under Section 529 of the Internal Revenue Code. Its purpose is to provide the Account Owner an opportunity to save for the Qualified Higher Education Expenses of a named Beneficiary. Notwithstanding anything in this Disclosure Booklet to the contrary, the terms and conditions applicable to your ESA will be interpreted and/or amended to comply with the requirements of IRC Section 529 and applicable regulations.

21. From time to time, there may be changes to federal or state laws or regulations that may directly or indirectly affect the terms and conditions of the START Saving Program and this Disclosure Booklet. Unless applicable law provides otherwise, LATTA may amend the terms of this Disclosure Booklet from time to time to comply with changes in the law or regulations or if LATTA determines it is in the START Saving Program's best interest to do so. However, LATTA will not retroactively modify existing terms and conditions applicable to an ESA in a manner adverse to you or your Beneficiary except to the extent necessary to assure compliance with applicable state and federal laws or regulations or to preserve the favorable tax treatment to you, your Beneficiary or the START Saving Program.

22. The Participation Agreement and ESAs are governed by the laws and regulations of the United States, the laws of the State of Louisiana, and LATTA's rules and regulations. The Participation Agreement is entered into between the Account Owner and LATTA in the State of Louisiana. If any part of the Participation Agreement is determined by applicable law to be invalid or unenforceable, the remaining provisions shall remain in full force and effect. The Account Owner agrees that any amendments to applicable state or federal statutes and regulations shall automatically amend the Terms and Conditions of the Participation Agreement.

### **COURT JURISDICTION**

23. Any action arising under the Participation

Agreement shall be brought in the Parish of East Baton Rouge, State of Louisiana.

### **DEATH OR DISABILITY OF THE BENEFICIARY**

24. Upon the Disability of a Beneficiary, the Account Owner who is a Natural Person and whose ESA is classified in Categories I, II, III, IV or V may designate a substitute Beneficiary who is a Member of the Family of the original Beneficiary or terminate the ESA. If the ESA is terminated, the Refund shall be to the Account Owner or to the Beneficiary, as designated by the Account Owner. If no such designation is made by the time the beneficiary who has become disabled reaches age 25, the ESA may be terminated by LATTA. If the ESA is terminated, the Account Owner should consult with a qualified tax professional to determine the proper treatment of the Refund for state and federal tax purposes.

25. Upon the death of a Beneficiary, the Account Owner who is a Natural Person and whose ESA is classified in Categories I, II, III, IV or V may designate a substitute Beneficiary who is a Member of the Family or terminate the ESA. If no such designation is made within 60 days of the death of the Beneficiary, the ESA may be terminated by LATTA. If the ESA is terminated, the Account Owner should consult with a qualified tax professional to determine the proper treatment of the Refund for state and federal tax purposes.

26. Upon the death or Disability of a Beneficiary, the Account Owner who is a Legal Entity or whose ESA is classified in Category VI may designate a substitute Beneficiary who is a Member of the Family of the original Beneficiary or designate some other person as Beneficiary. If no such designation is made within sixty (60) days of the death of the Beneficiary or by the time the beneficiary who has become disabled reaches age 25, the ESA may be terminated by LATTA, and LATTA shall designate a new Beneficiary who must meet the requirements of §301.A.3 and §303.A.5 of the START Saving Program Rules.

### **DEPOSITS**

27. A Deposit of at least ten dollars (\$10) must be made within 180 days from the date of the letter of notification approving the ESA. A lump sum Deposit may not exceed the Maximum Allowable Account Balance. If the required Deposit is not made within the time allowed, the Agreement shall automatically terminate and shall be null and void.

28. Deposit options include monthly payments made directly to LATTA (including lump sum), automatic bank debit from a checking or savings account in a lump sum or on a recurring basis, payroll deduction (if available through the employer) and direct Deposit of state income tax refunds. The Account Owner may change the monthly



Deposit amount or the payment method at any time by notifying LATTA and, if applicable, the Account Owner's employer.

You may go online to add funds to your active account(s) by using your credit or debit card or by using an electronic check drawn on your bank or credit union account. Your credit or debit card, or your bank or credit union account, will be charged for the total amount deposited in your START account **plus** a convenience fee. Please refer to the START Web site ([www.startsaving.la.gov](http://www.startsaving.la.gov)) for a listing of the credit and debit cards accepted and for the amount of the convenience fee.

**29.** Checks and electronic funds transfers through the Automated Clearing House Network (**ACH**) (or automatic bank debit) received for Deposit in a Variable Earnings fund are invested by the state treasurer in the Louisiana Principal Protection Fund prior to the Trade Date. All earnings from such investments are the property of the state and are Deposited in the Variable Earnings Transaction Fund. Monies in the Variable Earnings Transaction Fund are used to cover trading losses caused by returned checks, rejected ACH transactions, and other transactional losses. Any surplus may be used to pay EEs. (See the *Trade Date* section below for additional information.)

**30.** LATTA, at any time and without prior notice and at its discretion, may refuse any Deposit, limit the amount which may be Deposited, accept all or any part of a Deposit or return all or any part of any Deposit. Deposits shall not be deemed accepted until deposited in the Fund and until check payments have cleared the financial institution upon which they are drawn. Deposits shall only be made in U.S. currency.

**31.** LATTA reserves the right to post all Deposits, including Deposits of cash, not later than midnight of the third business day after receipt of the funds, and LATTA shall not be liable for damage resulting from the exercise of this right. Any item received on a Saturday, Sunday or legal holiday shall be deemed received on the next business day.

**32.** If at any time the value of an ESA exceeds the Maximum Allowable Account Balance, no further Deposits will be accepted.

**33.** Dishonored Deposits made by check and ACH transaction are subject to the following procedures and penalties.

- Upon the return of a check for insufficient funds, the check will be resubmitted for payment. If the check is returned for insufficient funds a second time, LATTA will return the check to the Account Owner. Any credits made to the Account Owner's balance prior to the return of the check will be reversed and any fees

charged to the START Saving Program because of the return for insufficient funds shall be deducted and reflected on the next ESA statement.

- If the Deposit was used to purchase units in a Variable Earnings fund, the Account Owner shall forfeit any increase in the value of the ESA subsequent to the trade date over the amount Deposited.

**34.** Upon the return of a check as a result of the issuance of a stop payment order by the Account Owner, LATTA will return the check to the Account Owner. Any credits made to the Account Owner's balance prior to the return of the check will be reversed and reflected on the next ESA statement.

**35.** Electronic funds transfers or automatic bank debits may be authorized by the Account Owner for automatic Deposits. Such authorization shall continue in effect until LATTA receives a written revocation signed by the Account Owner at least ten (10) business days in advance of the scheduled transfer.

**36.** If LATTA receives notice of an actual or potential adverse claim to an ESA or the funds therein, LATTA may, at its discretion, refuse to Disburse or Refund any money from the Account Owner's ESA until receipt of notice that such adverse claim has been resolved.

## **DISBURSEMENTS**

*(Disbursements are referred to as "Qualified Distributions" in IRC Section 529.)*

**37.** Funds Deposited into an ESA shall be Disbursed at the request of the Account Owner to the Account Owner, to the Beneficiary, and/or to an Eligible Educational Institution to pay the Qualified Higher Education Expenses for one (1) year incurred by the Beneficiary. For tax purposes, Disbursements should be requested during the calendar year they are incurred. The Account Owner must designate the amount to be Disbursed, not to exceed the Qualified Higher Education Expenses for the Eligible Educational Institution attended by the Beneficiary or the Current Value of the ESA, whichever is less.

**38.** A Disbursement made for a Beneficiary who does not enroll in an Eligible Educational Institution constitutes a Refund and the amount Disbursed must be redeposited into the ESA within sixty (60) days. If the Account Owner fails to redeposit the money, LOSFA will recover the amount of the EEs and interest thereon included in the Disbursement from any principal and interest remaining in the ESA, and LOSFA may, in its sole discretion, refund any balance remaining thereafter and close the ESA.

**39.** If the Beneficiary withdraws from school during an academic term in which Disbursements have been made from an ESA and if the Beneficiary is due a refund from the school, then the Refund, up to the amount of the EEs

that were Disbursed for that academic term, shall be returned to LATTA and re-credited to the Beneficiary's ESA. Additionally, if the Refund is greater than the EEs Disbursed for that school term, then a portion of the remaining Refund shall also be returned for credit to the ESA, that portion being equal to the ratio of the total Disbursement from the ESA for that term to the total Qualified Higher Education Expenses for that term.

**40.** Disbursements from Variable Earnings investment funds shall be assigned a Trade Date of one (1) business day after the business day of receipt of the request.

### **EARNINGS ENHANCEMENTS (EEs)**

**41.** All Deposits of principal made to an ESA during the calendar year will be considered for purposes of calculating the EEs, provided the value of the ESA does not equal or exceed the Earning Enhancement Cap and such Deposits have not caused the balance to exceed the Maximum Allowable Account Balance. The applicable EE rate is based on the federal adjusted gross income reported on the federal tax return for the prior taxable year, according to the following schedule:

Reported Adjusted Gross Income	Earnings Enhancement Rate
\$0 to \$29,999	14%
\$30,000 to \$44,999	12%
\$45,000 to \$59,999	9%
\$60,000 to \$74,999	6%
\$75,000 to \$99,999	4%
\$100,000 and above	2%

**42.** An ESA classified in Categories I, II and III will be eligible to receive EEs based on the Account Owner's federal adjusted gross income reported for the previous year.

**43.** ESAs classified in Category IV will be eligible to receive EEs limited to the two percent (2%) rate.

**44.** ESAs classified in Category V will not be eligible for EEs.

**45.** ESAs classified in Category VI will be eligible to receive EEs based on the federal adjusted gross income reported for the previous year by the Beneficiary's family.

**46.** EEs allocated to an ESA may only be used to pay any Qualified Higher Education Expenses of the Beneficiary at an Eligible Educational Institution. EEs shall not be included in a Refund, including one resulting from the Beneficiary's receipt of a scholarship.

**47.** LATTA will review each ESA annually for the purpose of determining whether the account is eligible for an EE. The amount of the EE is determined by adding the Deposits made by the Account Owner to the ESA during

the calendar year and multiplying that sum by the applicable rate, as determined by the classification of the ESA and the Account Owner's adjusted federal gross income reported for the previous taxable year (for ESAs classified in Category VI, the federal adjusted gross income reported for the previous year by the Beneficiary's family). The awarding of EEs is contingent upon sufficient appropriations by the Louisiana Legislature to meet the obligations of the EE fund. If necessary, LATTA may reduce the EE rates pro rata, as required, to limit EEs to the amount appropriated.

**48.** Earnings on Deposits in the Louisiana Principal Protection Fund and on EEs will be credited once annually after the Louisiana State Treasurer has approved the annual earnings rate. These earnings shall be credited to each ESA and reported to the Account Owner on the annual statement. Each Account Owner shall receive an annual statement that will reflect the Deposits and Disbursements during the calendar year; the EEs allocated for that year; the earnings on Deposits in the Louisiana Principal Protection Fund and on EEs credited for that year; and the ESA balance.

**49.** An account which has reached the Earnings Enhancement Cap will not be eligible for state-appropriated EEs. (See the *Glossary* for the definition of *Earnings Enhancement Cap*.)

**50.** The eligibility of ESAs classified in Categories I, II and III (See the *ESA Categories* section above for details.) for allocation of EEs is dependent upon LATTA's access to the Account Owner's state tax return filed with the Louisiana Department of Revenue, or the Account Owner providing LATTA with a copy of the federal or state income tax return filed for the prior tax year, or a signed statement of income stating that a federal return was not required to be filed. An allocation of EEs to an ESA represents a conditional credit to that ESA.

**51.** If an account owner does not provide his/her tax documents by February 15 immediately following the year for which the Beneficiary of the ESA is being considered for an earnings enhancement, the ESA shall be allocated an earnings enhancement at the earnings enhancement rate shown for Account Owners who are members of the family of the beneficiary who report an adjusted gross income of \$100,000 and above, which is currently 2 percent (2%).

**52.** An EE is provided to ESAs that are classified in Category IV at a rate equal to the rate for Account Owners who report an adjusted gross income of \$100,000 or greater (currently two percent (2%)). (See the *ESA Categories* section above for more information.)

**53.** ESAs that are classified in Category V will not receive EEs. (See the *ESA Categories* section above for more information.)

**54.** The eligibility of ESAs classified in Category VI (See the *ESA Categories* section above for more information.) for the allocation of EEs is dependent upon LATTA's access to the social security number(s) of the Beneficiary's Family and authorization from that person(s) for LOSFA, on behalf of LATTA, to access the state tax return filed with the Louisiana Department of Revenue, or the family of the Beneficiary providing LOSFA a copy of its federal or state income tax return filed for the previous year, or a statement from the Beneficiary's family as to why no income tax filing was required. In the alternative, if applicable, the Account Owner may provide proof that the Beneficiary is a ward of the court, or, if applicable, proof that the Beneficiary is eligible for a free lunch under the Richard B. Russell National School Act (42 USC 1751 *et seq.*). After the first year allocation of EEs, the EE rate for all subsequent allocations to a Category VI ESA will be based on the Beneficiary's family's federal adjusted gross income for the previous year.

**55.** EEs are deposited into the Louisiana Principal Protection Fund by LATTA and invested in Fixed Earnings by the Louisiana State Treasurer. EEs and the interest earned thereon will not be invested in Variable Earnings.

**56.** EEs and the accumulated earnings thereon are the exclusive property of the State of Louisiana until Disbursed in payment of a Beneficiary's Qualified Higher Education Expenses.

**57.** EEs may be used to pay the Beneficiary's Qualified Higher Education Expenses at an Eligible Educational Institution located in any state.

**58.** According to Louisiana Revised Statutes 17:3096(G), "The right of a Beneficiary to the assets of an ESA, including EEs, shall not be subject to and is expressly dispensed from collation, execution, garnishment, attachment, the operation of bankruptcy or insolvency laws or other process of law." Monies paid into or out of the assets and the income of any validly existing qualified tuition program authorized by Section 529 of the Internal Revenue Code of 1986 as amended, including but not limited to an education savings account as defined in R.S. 17:3092, "shall not be liable to attachment, levy, garnishment, or legal process in the state in favor of any creditor of or claimant against any program participant, owner, or contributor, or program." Account owners and beneficiaries inquiring into the legal effect of this statute should consult with an attorney.

**59.** EEs and the interest earned thereon shall not be included in any Refund due to the termination of an ESA nor shall it be included in any transfer by a Legal Entity to a successor Beneficiary who is not a Member of the Family of the former Beneficiary.

**60.** EEs will not be included in any transfer of funds

in an ESA to a different IRC Section 529 Qualified Tuition Program.

## **EQUITY INVESTMENTS**

**61.** By their nature, Variable Earnings (equity and bond) investments are volatile and subject to losses, particularly when the investment is made for a short period of time. Generally, equities appreciate in value over time; however, there is no assurance that the moneys so invested will grow in value or even maintain their value. Moneys invested in Variable Earnings ARE NOT GUARANTEED.

**62.** Investing in one of the Variable Earnings funds provided by the START Saving Program and managed by The Vanguard Group involves certain risks, including the possibility that you may lose money over short or even long periods of time. The value of your ESA may increase or decrease over time based on the performance of the investment fund(s) you select. It is possible that, at any given time, the value of your ESA may be less than the total amount contributed. Neither LATTA nor the START Saving Program makes any guarantee of, or has any legal obligations to ensure, a particular level of investment return. An investment in a Variable Earnings fund provided by the START Saving Program and managed by The Vanguard Group is not a bank deposit, and it is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

**63.** The Variable Earnings funds offered by the START Saving Program include underlying mutual funds managed by The Vanguard Group. The Vanguard Group publishes a prospectus for each of its funds which discloses the fund's objectives, policies, past performance and risks. Data indicating the performance of the START Saving Program's investments managed by The Vanguard Group is presented in charts in Appendix E. If you are interested in a Variable Earnings investment fund, you should read the prospectus for that fund. (See Appendix C, *Contact Us* below for Vanguard's contact information.)

**64.** Deposits to Variable Earnings investment funds shall be assigned a Trade Date based on the method of Deposit and the date of receipt. Deposits by check or electronic funds transfer through the Automated Clearing House Network (automatic bank debit) shall be assigned a Trade Date of three (3) business days after the business day during which they are received. Deposits made by other electronic funds transfer shall be assigned a Trade Date of one (1) business day after the business day during which they were received. Deposits received on weekends and holidays will be considered received on the next business day.

## **FEES AND CHARGES**

**65.** Although authorized to assess certain fees, LATTA has

not approved the imposition of fees. All costs of LATTA or LOSFA or the Louisiana State Treasurer in administering the START Saving Program and managing funds in the Louisiana Principal Protection Fund have been assumed by the State of Louisiana and paid from funds appropriated for that purpose. No fees or administrative costs are currently charged to an Account Owner or a Beneficiary or to the Fund for investments in the Louisiana Principal Protection Fund, and none are anticipated.

**66.** The START Saving Program is charged an investment management fee on the moneys it invests in mutual funds managed by The Vanguard Group. Currently, this fee, known as the underlying fund expense ratio, varies with each mutual fund. Currently, the maximum fee is \_\_\_\_\_ (or \$ per \$1,000 invested) per year. This fee is subject to change at any time without notice. These fees are deducted prior to the valuation of the funds' net asset value, thereby reducing the value of the START Saving Program's investments, which reduces the return to Account Owners who selected Variable Earnings funds. (See the *Fee and Cost Tables* in Appendix-D for more information.)

**67.** Checks and electronic funds transfers through the Automated Clearing House Network (**ACH**) (or automatic bank debit) received for Deposit in a Variable Earnings investment fund are invested by the state treasurer in the Louisiana Principal Protection Fund prior to the Trade Date. All earnings from such investments are the property of the state and are deposited in the Variable Earnings Transaction Fund. Monies in the Variable Earnings Transaction Fund are used to cover trading losses caused by returned checks, rejected ACH transactions and other transactional losses. Any surplus may be used to pay EEs.

### **SELECTION OF INVESTMENT FUNDS; DESIGNATION OF DEPOSITS**

**68.** The START Saving Program provides Account Owners with multiple investment choices that provide varying return potential and varying risks and that are designed to afford an opportunity to choose the fund(s) that best meet the Account Owner's objectives for financing the costs of postsecondary education for the Beneficiary and that best fits the Account Owner's risk tolerance. The available funds are explained in detail in this Disclosure Booklet under the heading "INVESTMENTS." A prospective Account Owner should consult a financial advisor if he is uncertain as to which fund(s) to select or if he desires to evaluate his individual financial circumstances. Neither the LATTA, LOSFA, the Louisiana State Treasurer, nor Vanguard can provide financial advice or counseling to Account Owners, to other contributors to Accounts, or to Beneficiaries about any of the available fund(s).

**69.** When an Account Owner establishes an ESA, he or she must select one or more fund(s) in which to invest

deposits. If more than one fund is selected, the Account Owner must designate what percentage of each Deposit is to be invested in each selected fund, provided each percentage must be in whole digits and the total of all percentages must equal one hundred percent (100%). An Account Owner may change the designation for future Deposits at any time by completing the appropriate form online at <http://www.startsaving.la.gov>, or submitting it by mail to P.O. Box 91202, Baton Rouge, LA, 70821-9202.

### **INVESTMENTS**

**70.** This section of the Disclosure Booklet describes the ten (10) funds that are currently available to Account Owners establishing ESAs. The State Treasurer routinely monitors these funds. Based on its evaluation of the funds, the State Treasurer may change the current funds offered in the future. The funds include the Louisiana Principal Protection Fund (totally invested in Fixed Earnings), three (3) age-based tracks that include a mix of Variable Earnings and Fixed Earnings investments, and six (6) Variable Earnings investment funds each consisting of an individual Vanguard fund.

**71.** All investments in the Louisiana Principal Protection Fund are managed for the START Saving Program by the Louisiana State Treasurer. Each of the Age-Based Investment Tracks and Variable Earnings funds invests its assets in one (1) or more mutual funds managed by The Vanguard Group (the Underlying Vanguard Funds). The particular Vanguard fund or funds are selected by the Louisiana State Treasurer and may change over time. As an Account Owner, you will own an interest in the START Saving Program, but you will not own shares of the Underlying Vanguard Fund(s).

**72.** Investments in Variable Earnings funds are not guaranteed, and the Account Owner may lose some or all the money invested. Neither the State of Louisiana, LATTA, LOSFA, the START Saving Program, nor the Louisiana State Treasurer are responsible for any losses resulting from investments in Variable Earnings. Read the entirety of this document for additional disclaimers.

**73.** The START Saving Program offers three Age-Based Investment Tracks that are designed to take into account a Beneficiary's age and the number of years before the Beneficiary is expected to attend an Eligible Educational Institution. Each Age-Based Investment Track invests over time in a series of Vanguard mutual funds whose underlying investments maintain distinctly different risk profiles based on Moderate, Growth, or Aggressive asset allocations, and finally, the funds are transferred into the Louisiana Principal Protection Fund on the Beneficiary's sixteenth birthday. For each of the Age-Based Investment Tracks, the assets in the ESA are automatically exchanged from one fund to another as the Beneficiary ages. This exchange occurs on the



Beneficiary's birth date or on the following Business Day if the Beneficiary's birth date is not a Business Day.

**74. Louisiana Principal Protection Fund (Fixed Earnings).** This fund is the most conservative START Saving Program investment plan and is managed by the Louisiana State Treasurer. This fund invests 100% of Deposits and interest earned thereon in Fixed Earnings investments such as government and corporate bonds, notes, and certificates of deposit. The State guarantees the return of your principal so you cannot lose money, but does not guarantee any particular investment return. Every other fund involves some risk of loss of principal. (See the *Louisiana Education Tuition and Saving Fund (Fund)* section, below, for more information regarding this investment fund.)

**75. Age-Based Moderate Track Fund (Variable Earnings and Fixed Earnings).** This Track invests its assets in one (1) or more Underlying Vanguard Funds. **As an Account Owner, you will own an interest in the START Saving Program, but you will not own shares of the Underlying Vanguard Funds.** The Moderate Track represents the least aggressive track of the three Age-Based Investment Tracks and may be appropriate for Account Owners who are comfortable sacrificing the potential for greater returns in exchange for the potential for less risk. This track initially invests in the Vanguard LifeStrategy Moderate Growth Fund (VSMGX), which seeks to provide capital appreciation and a low to moderate level of current income. The LifeStrategy Moderate Growth Fund seeks to provide capital appreciation and a low to moderate level of current income. When the Beneficiary reaches six (6) years of age, the Moderate Track transitions to the Vanguard LifeStrategy Conservative Growth Fund (VSCGX). When the Beneficiary reaches eleven (11) years of age, the Moderate Track transitions to the Vanguard LifeStrategy Income Fund (VASIX). When the Beneficiary reaches sixteen (16) years of age, all monies invested in the Moderate Track move to the Louisiana Principal Protection Fund (See description, above). IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE VALUE.

**76. Age-Based Growth Track Fund (Variable Earnings and Fixed Earnings).** This Track invests its assets in one (1) or more Underlying Vanguard Funds. **As an Account Owner, you will own an interest in the START Saving Program, but you will not own shares of the Underlying Vanguard Funds.** Somewhat more aggressive than the Moderate Track, the Growth Track initially invests in the Vanguard LifeStrategy Growth Fund (VASGX), which seeks to provide capital appreciation and some current income. When the Beneficiary reaches six (6) years of age, the Growth Track transitions to the Vanguard LifeStrategy Moderate Growth Fund (VSMGX). When the Beneficiary reaches eleven (11) years of age, the Growth Track transitions to the Vanguard LifeStrategy Conservative Growth Fund (VSCGX), which seeks to provide current income and low

to moderate capital appreciation. When the Beneficiary reaches sixteen (16) years of age, all monies invested in the Growth Track move to the Louisiana Principal Protection Fund (See description, above). IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE VALUE.

**77. Age-Based Aggressive Track Fund (Variable Earnings and Fixed Earnings).** This Track invests its assets in one (1) or more Underlying Vanguard Funds. **As an Account Owner, you will own an interest in the START Saving Program, but you will not own shares of the Underlying Vanguard Funds.** The Aggressive Track, the most aggressive of the three Age-Based Investment Tracks, is designed for Account Owners who are willing to accept greater risk in exchange for the possibility of a higher rate of return. The Aggressive Track Fund uses the same funds used by the Growth Track Fund, but allows the principal to remain in the riskier funds longer. The Aggressive Track initially invests in the Vanguard LifeStrategy Growth Fund (VASGX), which seeks to provide capital appreciation and some current income. When the Beneficiary reaches nine (9) years of age, the Aggressive Track transitions to the Vanguard LifeStrategy Moderate Growth Fund (VSMGX). When the Beneficiary reaches thirteen (13) years of age, the Aggressive Track transitions to the Vanguard LifeStrategy Conservative Growth Fund (VSCGX), which seeks to provide current income and low to moderate capital appreciation. When the Beneficiary reaches sixteen (16) years of age, all monies invested in the Aggressive Track move to the Louisiana Principal Protection Fund (See description, above). IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE VALUE.

**78. Vanguard Total World Stock Index Fund, Investor Shares (VTWSX) (Variable Earnings).** This Fund invests its assets in one (1) or more Underlying Vanguard Funds. **As an Account Owner, you will own an interest in the START Saving Program, but you will not own shares of the Underlying Vanguard Funds.**

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of stocks of companies located in developed and emerging markets around the world.
- **Primary Investment Strategies.** The Fund employs a "passive management" —or indexing—investment approach designed to track the performance of the FTSE® All-World Index, a free-float-adjusted, market-capitalization-weighted index designed to measure the market performance of large- and mid-capitalization stocks of companies located around the world. The Index includes approximately 2,800 stocks of companies located in 47 countries, including both developed and emerging markets. **Primary Risks.** See *Investment Risks* section, below.

**79. Vanguard Total Stock Market Index Fund,**

**Institutional Shares (VITSX) (Variable Earnings).** This Fund invests its assets in one (1) or more Underlying Vanguard Funds. **As an Account Owner, you will own an interest in the START Saving Program, but you will not own shares of the Underlying Vanguard Funds.**

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.
- **Primary Investment Strategies.** The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI US Broad Market Index, which represents 99.5% or more of the total market capitalization of all the U.S. common stocks regularly traded on the New York Stock Exchange and the NASDAQ over-the-counter market. **Primary Risks.** See *Investment Risks* section, below.

**80. Vanguard Total International Stock Index Fund, Investor Shares (VGTSX) (Variable Earnings).** This Fund invests its assets in one (1) or more Underlying Vanguard Funds. **As an Account Owner, you will own an interest in the START Saving Program, but you will not own shares of the Underlying Vanguard Funds.**

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in Europe, the Pacific region, and emerging markets countries.
- **Primary Investment Strategies.** The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI EAFE® + Emerging Markets Index, an index designed to measure the performance of stocks of companies located in Europe, the Pacific region, and emerging markets countries.
- **Primary Risks.** See *Investment Risks* section, below.

**81. Vanguard Small-Cap Index Fund, Investor Shares (NAESX) (Variable Earnings).** This Fund invests its assets in one (1) or more Underlying Vanguard Funds. **As an Account Owner, you will own an interest in the START Saving Program, but you will not own shares of the Underlying Vanguard Funds.**

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks.
- **Primary Investment Strategies.** The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI US Small Cap 1750 Index, a broadly diversified index of stocks of smaller U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in

approximately the same proportion as its weighting in the Index.

- **Primary Risks.** See *Investment Risks* section, below.

**82. Vanguard Mid-Cap Index Fund, Investor Shares (VIMSX) (Variable Earnings).** This Fund invests its assets in one (1) or more Underlying Vanguard Funds. **As an Account Owner, you will own an interest in the START Saving Program, but you will not own shares of the Underlying Vanguard Funds.**

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks.
- **Primary Investment Strategies.** The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI US Mid Cap 450 Index, a broadly diversified index of stocks of medium-size U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.
- **Primary Risks.** See *Investment Risks* section, below.

**83. Vanguard Large-Cap Index Fund, Investor Shares (VLACX) (Variable Earnings).** This Fund invests its assets in one (1) or more Underlying Vanguard Funds. **As an Account Owner, you will own an interest in the START Saving Program, but you will not own shares of the Underlying Vanguard Funds.**

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks.
- **Primary Investment Strategies.** The Fund employs a “passive management”—or indexing—investment approach designed to track the performance of the MSCI US Prime Market 750 Index, a broadly diversified index predominantly made up of stocks of large U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.
- **Primary Risks.** See *Investment Risks* section, below.

## INVESTMENTS - CHANGES BY ACCOUNT OWNER

**84.** For assets existing in an ESA, Account Owners may change the investment selection only once during each calendar year. For example, if an Account Owner changed the ESA’s existing investment selection from the Louisiana Principal Protection Fund to the Vanguard Large-Cap Index Fund on March 1, 2011, the ESA’s investments could not be changed again until January 1,

2012. A change in investment selection that requires the sale of units in a mutual fund shall be assigned a Trade Date of one (1) business day after the business day of the receipt of a complete request.

## **INVESTMENT RISKS**

**85.** Neither The Vanguard Group nor any government agency, including the FDIC, Federal Reserve, the State of Louisiana, the START Saving Program, the State Treasurer, LOSFA nor LATTA insures moneys invested in Mutual Funds.

**86. Funds May Not Meet Objectives.** There is no guarantee that the underlying Mutual Funds for Variable Earnings funds (See 76-83 above.) will meet their objectives. Mutual Fund shares are not deposits or obligations of, or guaranteed by, any depository institution.

**87.** Primary risks associated with the Vanguard mutual funds that underlie the Age-Based Tracks (See Sections 75-77, above.) are described in Sections 88-91.

**88. Vanguard LifeStrategy Moderate Growth Fund, VSMGX (All Age-Based Tracks).** The Fund is subject to the risks associated with the stock and bond markets, any of which could cause an investor to lose money. However, because bonds usually are less volatile than stocks, and because the Fund invests a significant portion of its assets in bonds, the Fund's overall level of risk should be moderate.

- With a target allocation of approximately 60% of its assets in stocks, the Fund is proportionately subject to **stock market risk**, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund is also subject to the following risks associated with investments in foreign stocks: **currency risk**, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates; and **country risk**, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries.
- With a target allocation of approximately 40% of its assets in bonds, the Fund is proportionately subject to bond risks, including: **interest rate risk**, which is the chance that bond prices overall will decline because of rising interest rates; **credit risk**, which is the chance that the issuer of a security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline, thus reducing the underlying fund's return; and **income risk**, which is the chance that an underlying fund's income will decline because of

falling interest rates. If an underlying fund holds securities that are callable, the underlying fund's income may decline because of **call risk**, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. An underlying fund would then lose potential price appreciation and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying fund's income. For mortgage-backed securities, this risk is known as **prepayment risk**.

- The Fund is also subject to **manager risk**, which is the chance that poor security selection or focus on securities in a particular sector, category, or group of companies will cause the Fund's actively managed underlying funds—and, thus, the Fund itself—to underperform relevant benchmarks or other funds with a similar investment objective.

**An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**89. Vanguard LifeStrategy Conservative Growth Fund, VSCGX (All Age-Based Tracks).** The Fund is subject to the risks associated with the stock and bond markets, any of which could cause an investor to lose money. However, because bonds usually are less volatile than stocks, and because the Fund invests more than half of its assets in fixed income securities, the Fund's overall level of risk should be low to moderate.

- With a target allocation of approximately 60% of its assets in bonds and short-term fixed income investments, the Fund is proportionately subject to bond risks, including: **interest rate risk**, which is the chance that bond prices overall will decline because of rising interest rates; **credit risk**, which is the chance that the issuer of a security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline, thus reducing the underlying fund's return; and **income risk**, which is the chance that an underlying fund's income will decline because of falling interest rates. If an underlying fund holds securities that are callable, the underlying fund's income may decline because of **call risk**, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. An underlying fund would then lose potential price appreciation and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying fund's income. For mortgage-backed securities, this risk is known as **prepayment risk**.
- With a target allocation of approximately 40% of its assets in stocks, the Fund is proportionately subject to

**stock market risk**, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

- The Fund is also subject to **manager risk**, which is the chance that poor security selection or focus on securities in a particular sector, category, or group of companies will cause one or more of the Fund's actively managed underlying funds—and, thus, the Fund itself—to underperform relevant benchmarks or other funds with a similar investment objective.

**An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**90. Vanguard LifeStrategy Income Fund, VASIX (Moderate Track).** The Fund is subject to the risks associated with the stock and bond markets, any of which could cause an investor to lose money. However, because bonds usually are less volatile than stocks, and because the Fund invests most of its assets in fixed income securities, the Fund's overall level of risk should be relatively low.

- With a target allocation of approximately 80% of its assets in bonds and short-term fixed income investments, the Fund is proportionately subject to bond risks, including: **interest rate risk**, which is the chance that bond prices overall will decline because of rising interest rates; **credit risk**, which is the chance that the issuer of a security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline, thus reducing the underlying fund's return; and **income risk**, which is the chance that an underlying fund's income will decline because of falling interest rates. If an underlying fund holds securities that are callable, the underlying fund's income may decline because of **call risk**, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. An underlying fund would then lose potential price appreciation and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying fund's income. For mortgage-backed securities, this risk is known as **prepayment risk**.
- With a target allocation of approximately 20% of its assets in stocks, the Fund is proportionately subject to **stock market risk**, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- The Fund is also subject to **manager risk**, which is the chance that poor security selection or focus on securities in a particular sector, category, or group of

companies will cause one or more of the Fund's actively managed underlying funds—and, thus, the Fund itself—to underperform relevant benchmarks or other funds with a similar investment objective.

**An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**91. Vanguard LifeStrategy Growth Fund, VASGX (Growth Track and Aggressive Track).** The Fund is subject to the risks associated with the stock and bond markets, any of which could cause an investor to lose money. However, because stocks usually are more volatile than bonds, and because the Fund invests most of its assets in stocks, the Fund's overall level of risk should be moderate to high.

- With a target allocation of approximately 80% of its assets in stocks, the Fund is proportionately subject to **stock market risk**, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund is also subject to the following risks associated with investments in foreign stocks: **currency risk**, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates; and **country risk**, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries.
- With a target allocation of approximately 20% of its assets in bonds, the Fund is proportionately subject to bond risks, including: **interest rate risk**, which is the chance that bond prices overall will decline because of rising interest rates; **credit risk**, which is the chance that the issuer of a security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline, thus reducing the underlying fund's return; and **income risk**, which is the chance that an underlying fund's income will decline because of falling interest rates. If an underlying fund holds securities that are callable, the underlying fund's income may decline because of **call risk**, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. An underlying fund would then lose potential price appreciation and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the underlying fund's income. For mortgage-backed securities, this risk is known as **prepayment risk**.
- The Fund is also subject to **manager risk**, which is the chance that poor security selection or focus on



securities in a particular sector, category, or group of companies will cause the Fund's actively managed underlying funds—and, thus, the Fund itself—to underperform relevant benchmarks or other funds with a similar investment objective.

**An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**92.** Primary risks associated with the Vanguard mutual funds that underlie Variable Earnings funds (See Sections 78-83 above.) are described in Sections 93-98:

**93. Total World Stock Index Fund, Investor Shares, VTWSX.** An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the global stock market. The Fund's performance could be hurt by:

- **Stock market risk** is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's investments in foreign stock markets can be riskier than U.S. stock investments. The prices of foreign stocks and the prices of U.S. stocks have, at times, moved in opposite directions. In addition, the Fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies.
- **Investment style risk**, which is the chance that returns from small- and mid-capitalization stocks (to the extent that the Fund's assets are invested in small and mid-cap stocks) will trail returns from global stock markets. Historically, small- and mid-cap stocks have been more volatile in price than the large-cap stocks that dominate the global markets, and they often perform quite differently. Small and mid-size companies tend to have greater stock volatility because, among other things, these companies are more sensitive to changing economic conditions.
- **Country/regional risk**, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions. Because the Fund may invest a large portion of its assets in securities of companies located in any one country or region, the Fund's performance may be hurt disproportionately by the poor performance of its investments in that area. Country/regional risk is especially high in emerging markets.
- **Emerging markets risk**, which is the chance that the stocks of companies located in emerging markets will

be substantially more volatile, and substantially less liquid, than the stocks of companies located in more developed foreign markets.

- **Currency risk**, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Currency risk is especially high in emerging markets.
- **Index sampling risk**, which is the chance that the securities selected for the Fund, in the aggregate, will not provide investment performance matching that of the Index. Index sampling risk for the Fund should be low.

**An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**94. Vanguard Total Stock Market Index Fund, Institutional Shares, VITSX.** An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- **Stock market risk** is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies.
- **Index sampling risk**, which is the chance that the securities selected for the Fund, in the aggregate, will not provide investment performance matching that of the Fund's target index. Index sampling risk for the Fund should be low.

**An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**95. Vanguard Total International Stock Index Fund, VGTIX.** An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- **Stock market risk**, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's investments in

foreign stock markets can be riskier than U.S. stock investments. The prices of foreign stocks and the prices of U.S. stocks have, at times, moved in opposite directions. In addition, the Fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies.

- **Country/regional risk**, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions. Because the Fund may invest a large portion of its assets in securities of companies located in any one country or region, including emerging markets, its performance may be hurt disproportionately by the poor performance of its investments in that area. Significant investments in Japan and the United Kingdom (U.K.) subject the Index and the Fund to proportionately higher exposure to Japanese and U.K. country risk. Country/regional risk is especially high in emerging markets.
- **Currency risk**, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Currency risk is especially high in emerging markets.
- **Index sampling risk**, which is the chance that the securities selected for the Fund, in the aggregate, will not provide investment performance matching that of the Index. Index sampling risk for the Fund should be low.

**An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**96. Vanguard Small-Cap Index Fund Investor Shares, NAESX.** An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- **Stock market risk** is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies. Because the Fund seeks to track its target index, the Fund may underperform the overall stock market.
- **Investment style risk**, which is the chance that returns from small-capitalization stocks will trail returns from the overall stock market. Historically, small-cap stocks have been more volatile in price than the large-

cap stocks that dominate the overall market, and they often perform quite differently.

**An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**97. Vanguard Mid-Cap Index Fund Investor Shares, VIMSX.** An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- **Stock market risk** is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies. Because the Fund seeks to track its target index, the Fund may underperform the overall stock market.
- **Investment style risk**, which is the chance that returns from mid-capitalization stocks will trail returns from the overall stock market. Historically, mid-cap stocks have been more volatile in price than the large-cap stocks that dominate the overall market, and they often perform quite differently. Mid-cap stocks tend to have greater volatility than large-cap stocks because, among other things, medium-size companies are more sensitive to changing economic conditions.

**An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**98. Vanguard Large-Cap Index Fund Investor Shares, VLACX.** An investment in the Fund could lose money over short or even long periods. You should expect the Fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. The Fund's performance could be hurt by:

- **Stock market risk** is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The Fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies. Because the Fund seeks to track its target index, the Fund may underperform the overall stock market.
- **Investment style risk**, which is the chance that returns from large-capitalization stocks will trail returns from the overall stock market. Large-cap stocks tend to go

through cycles of doing better—or worse—than the stock market in general. These periods have, in the past, lasted for as long as several years.

**An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**99. Other Risks to Consider.** Since the Vanguard Funds include various stocks, bonds and other investments, there are other factors that may impose additional risks. An investment in a particular mutual fund could lose money over short or even long periods. It is possible that certain funds' share price and total return will fluctuate over time. Some general risks to consider are described in Sections 100-107.

**100. Small and Mid-Cap Stock Risks.** Funds are often grouped by the size of the companies they invest in - big, medium, small or tiny. Size refers to a company's value on the stock market as determined by the number of shares it has outstanding multiplied by the share price. This is also known as market capitalization, or cap size. Big companies tend to have less risk than small ones. But smaller companies can often offer more growth potential. The stocks of small- and mid-cap companies entail greater risk and are usually more volatile than those of larger companies. Stocks of smaller companies are subject to more abrupt or erratic price movements than the stocks of large companies. Small companies often have limited product lines, markets, or financial resources, and their management teams may lack depth and experience. Such companies seldom pay significant dividends that could cushion returns in a falling market.

**101. International Risks.** Funds that invest overseas generally carry more risk than funds that invest strictly in U.S. assets. The specific risk profile of an international fund varies with its investment style, geographic focus, and whether it invests in developed markets, emerging markets, or both. Funds investing in a single country or limited geographic region tend to be riskier than more diversified funds. Risks can result from varying stages of economic and political development, differing regulatory environments, trading days, accounting standards, and higher transaction costs of non-U.S. markets. Investments outside the United States could be subject to governmental actions such as capital or currency controls, nationalization of a company or industry, expropriation of assets, or imposition of high taxes. International funds are also subject to currency risk. This refers to a decline in the value of a foreign currency versus the U.S. dollar, which reduces the dollar value of securities denominated in that currency. The overall impact on a fund's holdings can be significant and long-lasting depending on the currencies represented in the portfolio, how each one appreciates or depreciates in relation to the U.S. dollar, and whether currency positions are hedged. Further, exchange rate movements are unpredictable, and it is not

possible to effectively hedge the currency risks of many developing countries.

**102. Growth Investing.** Growth stocks can be volatile for several reasons. Since these companies usually invest a high portion of earnings in their businesses, they may lack the dividends of value stocks that can cushion stock prices in a falling market. Also, earnings disappointments often lead to sharply falling prices because investors buy growth stocks in anticipation of superior earnings growth.

**103. Value Investing.** Investors seek to invest in companies whose stock prices are low in relation to their real worth or future prospects. By identifying companies whose stocks are currently out of favor or misunderstood, value investors hope to realize significant appreciation as other investors recognize the stock's intrinsic value and the price rises accordingly. The value approach carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be priced appropriately.

**104. Money Market Fund Risk.** An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

**105. Interest Rate and Credit Risk.** Bond prices may decline in response to a rise in interest rates. Longer-maturity bonds typically decline more than those with shorter maturities, resulting in a lesser rate of return. In the event that a bond's credit rating is downgraded or a bond issuer defaults (fails to make timely payments of interest or principal), the fund's income level and share price could decline dramatically.

**106. High-Yield Investing Risks.** Investing in high-yield corporate bonds, often called "junk bonds," could have greater price declines than funds that invest primarily in high-quality bonds. Companies issuing high-yield bonds are not as strong financially as those with higher credit ratings, so the bonds are usually considered speculative investments. These companies are more vulnerable to financial setbacks and recession than more creditworthy companies, which may impair their ability to make interest and principal payments. In addition, the entire junk bond market can experience sudden and sharp price swings due to a variety of factors, including changes in economic forecasts, stock market activity, large sustained sales by major investors, a high-profile default, or a change in the market's psychology.

**107. Extension Risk.** In the event that a rise in interest rates accompanied by a drop in mortgage prepayments causes a fund's average maturity to lengthen unexpectedly, that fund's sensitivity to rising rates and its potential for price declines could be dramatically increased.

## **INVOLUNTARY TERMINATION OF AN ESA, WITH PENALTY**

**108.** LATTA may terminate the Participation Agreement if it determines that the Account Owner or the Beneficiary provided false or misleading information. All earnings on principal Deposits shall be withheld and forfeited, with only principal being Refunded.

**109.** Obtaining program benefits by providing false or misleading information may subject the Account Owner and/or the Beneficiary to criminal prosecution.

## **LIMITATIONS**

**110.** There is no guarantee by the state, LOSFA, LATTA or any institution of postsecondary education that a Beneficiary of an ESA will be admitted to an institution of postsecondary education, or, upon admission, will be permitted to continue to attend or will receive a degree, diploma or any other affirmation of program completion from an institution of postsecondary education.

**111.** There is no guarantee that any Beneficiary's Qualified Higher Education Expenses will be covered in full by the proceeds of an ESA.

**112.** LATTA does not guarantee any moneys in an ESA invested in Variable Earnings funds.

**113.** Subject to limitations imposed by the Disbursement, Refund and Termination provisions of the governing statute, the rules of LATTA and/or this Disclosure Booklet, LATTA guarantees the Redemption Value of moneys in an ESA invested in the Louisiana Principal Protection Fund, if the ESA has been open for at least twelve (12) months. In the event an ESA is terminated within twelve (12) months of the date it was opened, the Refund will be equal to the Deposits made or the current value of the Deposits, whichever is less. THE REFUND WILL NOT INCLUDE INTEREST OR EARNINGS ENHANCEMENTS.

## **LOUISIANA EDUCATION TUITION AND SAVINGS FUND (FUND)**

**114.** Deposits made pursuant to the Participation Agreement are initially invested in the "Fund," which is a special statutory account in the State Treasury, and classified to one of two subaccounts: Fixed Earnings or Variable Earnings. Each subaccount consists of separate assets. The Fixed Earnings subaccount consists of Deposits in the Louisiana Principal Protection Fund, earnings on the Deposits, forfeitures of interest, all other receipts from any other source that LATTA determines appropriate and the Saving Enhancement Fund, which includes state appropriated EEs and earnings thereon. The Variable Earnings subaccount consists of Deposits in

Variable Earnings funds that are being held prior to investment by the START Saving Program in mutual funds managed by The Vanguard Group or being held prior to Disbursement or Refund.

**115.** Any claim for Disbursement or Refund of funds invested in the Louisiana Principal Protection Fund shall be solely against the assets of the Fund. No person shall have any claim against the state general fund or other funds or revenue sources of the State or against the funds of any Eligible Educational Institution as a result of Deposits made pursuant to this Agreement or otherwise.

**116.** Once invested in Variable Earnings Funds, funds are no longer assets of the Fund and claims for Disbursement or Refund shall be solely against the Current Value of such ESA on the business day after the business day of receipt of the Disbursement or Refund order. Such claims are not against the Fund.

**117.** All EEs and the interest earned thereon shall be deposited in the Fund and invested in Fixed Earnings.

**118.** For Deposits in the Louisiana Principal Protection Fund, and unless otherwise provided by law, the assets of the START Saving Program in the Fund will be expended first to Beneficiaries to pay their Qualified Higher Education Expenses and, second, to make Refunds.

**119.** Deposits to the Louisiana Principal Protection Fund will be considered to have been Deposited on the date of receipt.

**120.** If at any time the Fund is insufficient to meet the payment demands made upon the Fund, which represent obligations of the START Saving Program, LSA-R.S. 17:3099 requires the Louisiana Legislature to appropriate funds necessary to meet these payment obligations in full.

**121.** All Disbursements from the Fund for the START Saving Program are made by the State Treasurer on order of LATTA.

**122.** The Louisiana State Treasurer manages that portion of the Fund invested in the Louisiana Principal Protection Fund and may invest in any investments authorized by law. The instruments of title of all investments shall be delivered to the Louisiana State Treasurer or to a qualified trustee designated by him.

**123.** The Louisiana State Treasurer manages the assets of the program in the Fund to achieve the highest possible investment return to ESAs invested in the Louisiana Principal Protection Fund, consistent with the security of the principal, and sufficient to satisfy the obligations of LATTA.

**124.** The Louisiana State Treasurer calculates the annual



earnings rate for the Louisiana Principal Protection Fund. The average daily balance of the Fund is computed at the end of each calendar year as follows: the sum of the daily balance each day of the calendar year (beginning balance plus all Deposits and minus all Disbursements) divided by 365. The earnings rate for each calendar year is based upon the following calculation: the uninvested portion (cash) of earnings, plus actual earnings received, plus accrued earnings, plus moneys other than Deposits which may accrue to the benefit of the Fund, divided by the average daily balance for that calendar year.

**125.** LATTA will credit that portion of each ESA invested in the Louisiana Principal Protection Fund with earnings calculated by multiplying the average daily balance of the ESA during a calendar year by the annual earnings rate for that year as approved by the Louisiana State Treasurer and adopted by LATTA.

### **MANAGEMENT OF THE FUND**

**126.** Under the Act, the Fund is invested by the Louisiana State Treasurer, a statewide elected official, and administered by LATTA. The composition of LATTA and the powers and duties of LATTA are set forth in LSA-R.S. 17:3093. A list of the current members of LATTA and a copy of its bylaws may be obtained by contacting LOSFA at 602 North Fifth Street, Baton Rouge, Louisiana 70802 or by accessing the Information Center on the START Saving Program's Web site: <http://www.startsaving.la.gov>.

### **REFUNDS**

**127.** All moneys in an ESA that are Disbursed but are not used to pay Qualified Higher Education Expenses or are rolled over to a new Beneficiary who is not a Member of the Beneficiary's family or rolled over to another qualified IRC Section 529 Qualified Tuition Program are considered to be Refunds (Non-Qualified Distributions) and will result in state and federal tax Penalties. The Account Owner should consult with a qualified tax advisor prior to requesting a Refund.

**128.** Except for Category VI ESAs, Refunds may be requested by Account Owners who are Natural Persons. (See the *ESA Categories* section above more information.) In such cases, all principal and interest will be Refunded to the Account Owner provided the ESA has been open for at least twelve (12) months. In the event an ESA is terminated within twelve (12) months of the date it was opened, the Refund will be equal to the Deposits made or to the Current Value of an account invested in Variable Earnings, whichever is less. **REFUNDS WILL NOT INCLUDE EEs AND THE INTEREST EARNED THEREON.** Refunds may result in state and federal tax liability. The Account Owner should consult with a qualified tax advisor prior to requesting a Refund.

**129.** Only the Account Owner or the Beneficiary may be designated to receive Refunds from the ESA owned by an Account Owner who is a Natural Person. An ESA classified in Category VI is not eligible for a Refund even if the Account Owner is a Natural Person.

**130.** In the event an ESA is terminated, the Account Owner or, in the event of the death of the Account Owner, the Successor Owner designated by the Account Owner in the Participation Agreement shall receive a Refund if there is a balance in the ESA. Any earnings associated with such Refund may be subject to a Federal Additional Tax of ten percent (10%) in accordance with IRC Section 529. Additionally, Deposits that were excluded from the Account Owner's reported state taxable income must be included in the Account Owner's state taxable income for the year in which the Refund was received. Refund Recipients should seek advice from qualified tax professionals in such cases.

**131.** Upon termination of an ESA, Refunds from Variable Earnings investments shall be assigned a Trade Date of one (1) business day after the business day of receipt of a complete request.

**132.** Payment of Refunds shall be made no later than thirty (30) days following the date the ESA was terminated.

**133.** EEs and the interest earned thereon do not belong to the Account Owner, are not refundable to the Account Owner or the Beneficiary, and can only be Disbursed to pay the Qualified Higher Education Expenses of the Beneficiary.

**134.** A partial Refund of an ESA may occur only under the following circumstances:

- the Beneficiary is the recipient of a scholarship, waiver of Tuition or similar subvention, and
- the Beneficiary furnishes LATTA with such information about the scholarship, waiver or similar subvention, and
- LATTA determines that the scholarship, waiver of Tuition, or similar subvention cannot be converted into money by the Beneficiary.

**135.** During each academic term that such circumstances exist and upon request, LATTA will Refund to the Refund Recipient an amount from the ESA equal to the value of such scholarship, waiver, or similar subvention that LATTA determines cannot be converted into money by the Beneficiary of the ESA. The Refund Recipient should consult with a qualified tax professional to determine the taxability of such a Refund.

**136.** Requests for a Partial Refund from an ESA, other than as set forth in Sections 134 and 135, will be treated as a request to terminate the ESA. A Refund of Deposits for which the Account Owner has received an exemption from income reported to the state must be included in the

Account Owner's state taxable income for the year in which the Refund is received.

**137.** A Refund of earnings from the ESA to the Refund Recipient will be reported to the Internal Revenue Service and the Louisiana Department of Revenue for federal and state tax purposes.

**138.** Earnings included in a Refund may be assessed a Federal Additional Tax of ten percent (10%).

**139.** Exceptions to the Federal Additional Tax. There is an exception to the ten percent (10%) Federal Additional Tax imposed for any Refund on account of:

- the death of the Beneficiary if paid to the Beneficiary's estate;
- the disability of the Beneficiary within the meaning of IRC section 72(m)(7);
- the receipt of a scholarship by the Beneficiary to the extent the amount withdrawn does not exceed the amount of such scholarship;
- the use of Hope Scholarship tax credits (also known as American Opportunity tax credits for 2009 and 2010) or Lifetime Learning tax credits (together "Education Tax Credits") as allowed under federal income tax law; or
- the attendance of the Beneficiary at certain specified military academies.

**140. Death of Beneficiary** – In the event of the death of the designated Beneficiary, the Account Owner may exercise one or more of the following options. The Account Owner may request payment of the Redemption Value of the ESA to the designated Beneficiary's estate, in which case the earnings portion will be subject to federal income tax and possibly state income tax on the earnings portion of the withdrawal, without imposition of the ten percent (10%) Federal Additional Tax on earnings. Alternatively, the Account Owner can request the return of the ESA balance, the earnings portion of which will be subject to federal income tax and may be subject to a ten percent (10%) Federal Additional Tax. Another option would be to initiate a change of designated Beneficiary. Special rules apply to ESAs established by UGMA/UTMA custodians.

**141. Disability of Beneficiary** – If the Beneficiary becomes disabled within the meaning of IRC Section 72(m)(7), the Account Owner may exercise one or more of the following options. The Account Owner may request the return of the Redemption Value of the ESA, in which case the earnings portion will be subject to federal income tax and possibly state income tax on the earnings portion of the Refund, without imposition of the ten percent (10%) Federal Additional Tax. Alternatively, the Account Owner may initiate a change of designated Beneficiary for the ESA. Special rules apply to ESAs established by UGMA/UTMA custodians.

**142. Receipt of Scholarship** – If the Beneficiary receives a qualified scholarship, ESA funds up to the amount of the scholarship can be Refunded to the Account Owner, subject to federal income tax and possibly state income tax on the earnings portion of the Refund, without imposition of the ten percent (10%) Federal Additional Tax. Special rules apply to ESAs established by UGMA/UTMA custodians. Under IRS Proposed Regulations, a qualified scholarship includes certain educational assistance allowances under federal law and certain payments for educational expenses or which are attributable to attendance at certain educational institutions that are exempt from federal income tax. You should consult a qualified tax advisor to determine whether a particular payment or benefit constitutes a qualified scholarship.

**143. Attendance at Certain Specified Military Academies** – If the Beneficiary attends the United States Military Academy, the United States Naval Academy, the United States Air Force Academy, the United States Coast Guard Academy, or the United States Merchant Marine Academy, ESA funds may be Refunded, subject to federal income tax and possibly state income tax on the earnings portion of the Refund, without imposition of the ten percent (10%) Federal Additional Tax on earnings to the extent the Refund does not exceed the costs of qualifying expenses attributable to such attendance.

**144.** Principal that is Refunded and which was excluded from taxable income reported to the state for the year that the Deposit was made to the ESA must be included in the Account Owner's income for state tax purposes for the year in which the Refund is received.

**145.** Interest earned in excess of \$10.00 in the Louisiana Principal Protection Fund during the calendar year an ESA is terminated will be Refunded on or about the forty-fifth (45<sup>th</sup>) day after the Treasurer has announced the interest rate for the preceding year. Interest earned of \$10.00 or less in the Louisiana Principal Protection Fund during the calendar year an ESA is terminated will be forfeited to the Fund.

**146.** A Legal Entity may open an ESA on behalf of any Beneficiary or as a donation to a Beneficiary who has financial need. Funds in an ESA owned by a Legal Entity cannot be Refunded to the Legal Entity under any circumstances. The funds may be Disbursed to the Beneficiary or the Account Owner may substitute a new Beneficiary.

## **REPORTS, STATEMENTS AND AUDITS**

**147.** LATTA maintains a separate ESA for each approved Account Application which shows the Current Value of the ESA. Each ESA may have only one Account Owner and one Beneficiary; however, an Account Owner may have multiple ESAs, each with a different

Beneficiary. The same individual may be the Beneficiary of multiple ESAs.

**148.** LATTA shall provide each Account Owner an annual ESA statement by March 31<sup>st</sup> of each year reflecting all activities and balances of the previous calendar year and which sets forth:

- For the Louisiana Principal Protection Fund, the accumulated value of the principal Deposited, earnings on Deposits, allocated EEs and earnings thereon, the amounts Disbursed or Refunded pursuant to the Participation Agreement and the Current Value of the ESA; and,
- For Variable Earnings funds, the amount Deposited, the current number of units in the investment fund(s) purchased, the current value per unit, allocated EEs and earnings thereon, the amounts Disbursed or Refunded pursuant to this Agreement and the Current Value of the ESA.
- An Account Owner must report errors on the annual ESA statement to LATTA within sixty (60) days from the date on the ESA statement or the statement will be deemed correct.

**149.** Upon request of the Account Owner or the Beneficiary, LATTA will provide a statement showing the Current Value of an ESA. This information is also available on the Web site at <http://www.startsaving.la.gov>. The Account Owner or the Beneficiary may request a statement at any time, subject to any fees that LATTA may impose for requests in excess of one (1) per year.

**150.** The START Saving Program will report all Disbursements and Refunds from an ESA to the IRS, the Louisiana Department of Revenue, the Account Owner, Beneficiary, Refund Recipient and any other required persons, if any, to the extent required by federal, state or local law. Under federal law, LATTA will report to the IRS on IRS Form 1099-Q gross Disbursements and Refunds from an ESA during the calendar year along with information regarding the earnings and basis (i.e., contributions/Deposits) portions of the amount distributed. By January 31 of the year following the distribution, the Account Owner (or Beneficiary, in the case of Disbursements and Refunds made directly to the Beneficiary or to an Eligible Educational Institution for the benefit of the Beneficiary) will receive a copy of such Form 1099-Q or an acceptable substitute statement. Account Owners and Beneficiaries should check with their tax advisors about the tax impact to them of any Disbursements and Refunds from an ESA and about what, if any, information must be reported on a tax return. Because it is the responsibility of the distributee receiving Form 1099-Q to determine whether Disbursements and Refunds from an ESA result in federal and/or state tax liability and/or the ten percent (10%) Federal Additional Tax on earnings, Account Owners and Beneficiaries should retain adequate records, invoices or other

documents and information to support any exemption from federal and/or state taxes as well as any exemption from the ten percent (10%) Federal Additional Tax on earnings, as applicable.

**151.** LATTA is audited as required by state law. Copies of the audit reports and program financials are provided to the Governor, the President of the Senate and the Speaker of the House of Representatives. Copies of the audited financial reports are available at <http://www.startsaving.la.gov>.

### **RESPONSIBILITIES AND POWERS OF LATTA AND STATE TREASURER**

**152.** Upon receipt of a START Saving Program Account Application and determination that it meets the criteria for participation, LATTA will accept the Participation Agreement, establish an ESA with the investment fund(s) designated by the Account Owner and send the Account Owner a letter of notification approving the ESA.

**153.** The monthly savings amount necessary to meet the Qualified Higher Education Expenses at the designated institution can be determined by using the calculator provided on the START Saving Program's Web site at <http://www.startsaving.la.gov>. Account Owners are strongly encouraged to make use of this tool.

**154.** LATTA may delay or waive enforcement of any of its rights under this Agreement without losing the right to enforce them at a later time. To the extent allowed by applicable law, LATTA may take other action not described in the Participation Agreement and, by so doing, will not lose its rights under the Participation Agreement.

**155.** Under the Act, LATTA or its authorized agent is authorized to contract with the Account Owner for the establishment of an ESA for the benefit of a named Beneficiary. The amount Deposited into an ESA is completely within the discretion of the Account Owner, up to the Maximum Allowable Account Balance. Payroll deductions, automatic bank debits and direct payments (including lump sums) are acceptable methods for making Deposits into an ESA. Account Owners are strongly encouraged to use the calculator provided on the START Saving Program's Web site at <http://www.startsaving.la.gov> to determine the monthly savings amount necessary to meet the Qualified Higher Education Expenses at the designated institution. The amount of the monthly Deposit projected by the calculator is the theoretically correct based upon current assumptions relative to cost increases, inflation and earnings. LATTA will maintain a database of Tuition costs for the school selected and the assumptions used to project the amount of monthly Deposits. LATTA DOES NOT GUARANTEE THAT MAKING THE MONTHLY DEPOSITS DETERMINED BY THE CALCULATOR WILL BE SUFFICIENT TO PAY THE QUALIFIED

## HIGHER EDUCATION EXPENSES OF THE BENEFICIARY AT THE ELIGIBLE EDUCATIONAL INSTITUTION SELECTED.

**156.** The moneys received from an Account Owner will be initially Deposited into the Fund and, if a Variable Earnings fund is selected by the Account Owner, withdrawn and invested in a mutual fund managed by The Vanguard Group.

**157.** The Louisiana State Treasurer periodically submits a Fund investment policy to LATTA, a copy of which will be provided to an Account Owner upon request.

**158.** The investment policy for the Fund (including the Louisiana Principal Protection Fund) proposes conservative investments consistent with safety of principal. As the Fund grows over time, the investment policy will be reevaluated from time to time in order to assure continued safety of principal and a reasonable earnings rate. The Fund assets may be subject to market factors and fluctuations affecting its value. The State Treasurer may pool the assets of the Fund for investment purposes with any other investments of the State of Louisiana that are eligible for asset pooling. The Treasurer has investment managers within the Treasurer's office to assist with the investment of Fund assets.

**159.** In addition to the Fund, the Louisiana State Treasurer is responsible for the investment of the public funds of the State of Louisiana and manages more than 350 separate special funds, the state's general fund and over \$1 billion in the Louisiana Education Quality Trust Fund (as of June 30, 2008).

**160.** The Louisiana State Treasurer has selected the mutual funds provided by The Vanguard Group.

**161.** The Louisiana State Treasurer provides oversight of The Vanguard Group, in accordance with the investment contract with The Vanguard Group. LATTA is responsible for the administration of the START Saving Program.

## ROLLOVER DEPOSITS

**162.** You can make Deposits to a START Saving Program ESA by transferring funds from another state's 529 Qualified Tuition Program. This transaction is known as a "Rollover." Not more than once every twelve (12) months, you may rollover assets from an account in another state's IRC 529 Qualified Tuition Program to an ESA in the START Saving Program for the same Beneficiary, without penalty or federal income tax consequences. You may also rollover funds from an account in another state's IRC 529 Qualified Tuition Program to an ESA in the START Saving Program at any time without penalty or federal income tax consequences when you change Beneficiaries, provided that the new

Beneficiary is a Member of the Family of the old Beneficiary. The transfer of funds from another state's IRC 529 Qualified Tuition Program to a START Saving Program ESA that does not meet these criteria may not qualify as a Rollover under IRC Section 529, and may be subject to federal income tax, a Federal Additional Tax of ten percent (10%) of earnings, and possibly state tax. Please consult your tax or investment adviser for more information.

**163.** Incoming Rollovers can be direct or indirect. Direct Rollovers involve the transfer of money from one 529 Qualified Tuition Program directly to another. Indirect Rollovers involve the transfer of money from an account in another state's 529 Qualified Tuition Program to the Account Owner, who then contributes the money to a START Saving Program ESA. To avoid penalties and federal income tax consequences, money received by an Account Owner from an indirect Rollover must be Deposited in a 529 Qualified Tuition Program account within sixty (60) days of the Refund. You should be aware that not all states permit direct Rollovers of funds from 529 Qualified Tuition Programs. Additionally, there may be state income tax consequences (and in some cases state-imposed penalties or fees) resulting from a rollover out of another state's 529 Qualified Tuition Program.

**164.** You may also contribute to a START Saving Program ESA with proceeds from the sale of assets held in a Coverdell Education Savings Account (formerly known as an Education IRA) or a Qualified U.S. Savings Bond.

**165.** The custodian of an UGMA/UTMA custodial account may in his or her custodial capacity establish an UGMA/UTMA ESA by executing and submitting the appropriate Participation Agreement. Deposits may be made to any UGMA/UTMA ESA by the Account Owner or another contributor subject to any applicable UGMA or UTMA requirements and the terms and conditions of the START Saving Program relating to Deposits. An Account Owner may also establish a separate ESA for any new Deposits for the benefit of the same Beneficiary of the UGMA/UTMA ESA subject to the terms and conditions of the START Saving Program relating to multiple ESAs for the same Beneficiary.

**166.** IRC Section 529 and LATTA's rules require that all Deposits to an ESA be made in U.S. currency; therefore, non-cash assets in an existing UGMA/UTMA custodial account must be liquidated in order for the Account Owner, as custodian, to contribute cash proceeds in an UGMA/UTMA ESA. The disposition of such non-cash assets in the UGMA/UTMA custodial account may be a taxable transaction. Any initial and subsequent Deposits by the Account Owner or another contributor to, or any Disbursements from, the UGMA/UTMA ESA are subject to the terms and conditions of the UGMA/UTMA custodial account and the state law that governs that custodial account. The Account Owner is responsible for complying with the law governing and any relevant terms



and conditions of the UGMA/UTMA custodial account. The START Saving Program is not responsible for determining whether or not any transaction related to an UGMA/UTMA ESA complies with applicable state law or the terms and conditions of the custodial account.

**167.** Ownership of the UGMA/UTMA ESA transfers to the Beneficiary at the age designated under the law governing or the applicable terms and conditions of the UGMA/UTMA custodial account. The custodian, as the Account Owner, has the responsibility to notify the START Saving Program of the change, and the Beneficiary must complete and submit a Participation Agreement, and any other required forms or documentation, at that time in order to document the change in ownership. Thereafter, the ESA will no longer be an UGMA/UTMA ESA, and the custodian, who was the original Account Owner, will no longer have any control over the assets in the ESA. If a custodian of an UGMA/UTMA custodial account has questions about establishing an UGMA/UTMA ESA, the custodian should consult an attorney or tax advisor. The Louisiana State Treasurer, LATTA and LOSFA will not be liable for any consequences related to a custodian's improper use, transfer, or characterization of custodial funds. Discussion of any aspect of an ESA unique to an UGMA/UTMA custodial account is beyond the scope of this Disclosure Booklet.

### **ROLLOVERS TO ANOTHER 529 QUALIFIED TUITION PROGRAM**

**168.** Other than an ESA classified in Category VI, ESAs owned by Natural Persons may be closed and the Current Value (LESS EES ALLOCATED TO THE ACCOUNT AND EARNINGS THEREON) may be transferred to another state's 529 Qualified Tuition Program. This transaction is known as a Rollover. Not more than once every twelve (12) months, you may rollover assets from an ESA to another state's 529 Qualified Tuition Program for the same Beneficiary, without penalty or federal income tax consequences. You may also rollover funds from an ESA to another state's 529 Qualified Tuition Program at any time without penalty or federal income tax consequences when you change Beneficiaries, provided that the new Beneficiary is a Member of the Family of the old Beneficiary. The transfer of funds from an ESA to another state's 529 Qualified Tuition Program that does not meet these criteria may not qualify as a Rollover under IRC Section 529 and may be subject to federal income tax, a federal tax penalty of ten percent (10%) of earnings, and possibly state tax. Please consult your tax or investment adviser for more information.

### **STUDENT FINANCIAL AID IMPLICATIONS**

**169.** The eligibility of the Beneficiary for student financial aid will depend upon the circumstances of the Beneficiary's family at the time the Beneficiary enrolls in

school, as well as on the policies of the governmental agencies, school, or private organizations to which the Beneficiary and/or the Beneficiary's family applies for financial assistance. Since saving for college will increase the financial resources available to the Beneficiary, it could potentially have some effect on the Beneficiary's eligibility. However, these policies vary at different institutions and can change over time. For further guidance, you should consult with the financial aid office at the institution the Beneficiary has selected. Note that the value of an ESA has no impact on eligibility for a Taylor Opportunity Program for Students (TOPS) award.

**170.** START has not sought guidance from the U.S. Department of Education regarding the impact of the START Saving Program on eligibility for financial aid. However, on April 27, 2006, the United States Department of Education issued Dear Colleague Letter GEN-06-05 <http://ifap.ed.gov/dpcletters/GEN0605.html>, which included guidance on the treatment of IRC Section 529 Qualified Tuition Programs for purposes of federal financial aid determination after enactment of the Higher Education Reconciliation Act of 2005 (HERA). The U.S. Department of Education has confirmed that assets in an IRC Section 529 Qualified Tuition Program are regarded as assets of the owner of the account (unless the account owner is a Dependent Student) regardless of the beneficiary of the account. If the account owner is a Dependent Student, the assets in an IRC Section 529 Qualified Tuition Program are regarded as an asset of the parent. If the account owner is an Independent Student, the assets in an IRC Section 529 Qualified Tuition Program are regarded as an asset of the Independent Student.

**171.** An ESA owned by a parent of a Dependent Student is reported on the federal financial aid application (FAFSA) as a parental asset. An ESA owned by a Dependent Student or by a Uniform Gifts or Transfers to Minors Act (UGMA/UTMA) account, is no longer excluded from the FAFSA but is instead to be reported as a parental asset.

**172.** On the Free Application for Federal Student Aid (FAFSA), parental assets do have an impact in calculating financial aid eligibility of a Dependent Student. Both assets and income are used to determine the family's Expected Family Contribution (EFC) to the student's education, and this amount is used to determine whether the student is eligible for a Pell grant. To the extent an ESA affects eligibility for a Pell grant, it may also affect eligibility for other federal student aid programs.

Distributions from an ESA which are reported as an asset of the parent of a Dependent Student or as an asset of an Independent Student on the FAFSA are not counted as income in calculating a student's financial aid eligibility.

Distributions from an ESA owned by someone other than a parent or student must be reported as untaxed income on

the FAFSA of that student as “money received.”

The extent to which an ESA affects eligibility for federal student aid programs is dependent upon a number of factors, including, but not limited to, the family’s financial circumstances, how many children are in the family, how many of those children are currently attending a postsecondary institution, etc. As a result, you should contact your financial planner or the financial aid office at your student’s postsecondary school of choice for information as to how an ESA will affect your student’s eligibility for federal student aid programs.

**173.** In addition, an ESA may have a limited effect on eligibility for certain state-based financial aid programs. Eligibility for the Louisiana GO Grant is based on Pell Grant eligibility.

### **Successor Account Owners**

**174.** Account Owners who are Natural Persons, other than a Natural Person whose ESA is classified in Category VI, may designate some other person to be the successor Account Owner in the event of the Account Owner’s death. **Account owners should name at least one (1) alternate successor owner.**

**175.** In the event of the death of a Natural Person, other than a Natural Person whose ESA is classified in Category VI, the person designated as the successor Account Owner in the Participation Agreement will become the Account Owner. If no successor Account Owner is named or if the successor Account Owner predeceases the Account Owner, the ESA shall be terminated and the moneys in the ESA shall be Refunded to the Beneficiary, if designated to receive the Refund by the Account Owner, or the Account Owner’s estate. Based on their state of residence and the relationship between the successor Account Owner and Beneficiary at the time of the original Account Owner’s death, the ESA will be assigned to one of the six (6) ESA categories.

**176.** In the event of the dissolution of a Legal Entity whose ESA is classified in Category IV or V, the Beneficiary shall become the successor Account Owner. If the Beneficiary of such an ESA has died and there is no substitute Beneficiary named, the Refund shall be made to the Beneficiary’s estate. The Refund shall not include EEs or interest thereon.

**177.** In the event of the death or dissolution of an Account Owner who is an Other Person (whether a Natural Person or Legal Entity) whose ESA is classified in Category VI, the Beneficiary shall become the successor Account Owner, provided that all the rights and restrictions provided in law and these rules applicable to ESAs classified in Category VI, including, but not limited to, use of the funds, Refunds, terminations, designation of

Beneficiary, etc. shall be applicable to the Beneficiary who becomes the owner of said ESA. Upon the death of an Account Owner who is a Natural Person or the dissolution of an Account Owner that is a Legal Entity whose ESAs are classified in Category VI and their respective Beneficiary has died or failed to enroll in an Eligible Educational Institution by age 25, and no substitute Beneficiary was designated by the Account Owners, the LATTA shall designate a new Beneficiary who must meet the requirements of §303.A.6 of the START Saving Program Rules.

**178.** If the Account Owner and Beneficiary of an ESA both die and there is no evidence to verify that one died before the other, any appointed Account Owner’s successor shall become the Account Owner of the ESA. If no Account Owner’s successor has been appointed, the fiduciary responsible for the disposition of the Beneficiary’s estate shall designate the new Account Owner. If no executor or fiduciary has been appointed, one must be appointed by a valid court order for this purpose.

## **TAX AND OTHER CONSIDERATIONS**

### **Disclaimer**

**179.** The START Saving Program, LOSFA, LATTA and their employees do not provide financial, investment, legal or tax advice. The Account Owner agrees to hold the START Saving Program, LOSFA, LATTA and their employees harmless from any liability incurred, which arises from decisions made by the Account Owner in connection with his participation in the START Saving Program or under the terms of the Participation Agreement. Account Owners and Beneficiaries should consult with qualified financial, legal or tax assistance professionals to determine tax liabilities in individual circumstances.

### **Federal Tax Considerations**

**180.** This section takes a closer look at some of the federal tax considerations you should be aware of when investing in the START Saving Program. However, the discussion is by no means exhaustive and is not meant as tax advice. [Please keep in mind that the IRS has issued only proposed regulations under IRC Section 529; final regulations could affect the tax considerations mentioned in this section or require the terms of the START Saving Program to change.] In addition, the START Saving Program has not requested a private letter ruling from the IRS with regard to the status of the START Saving Program under IRC Section 529. LATTA may, in its sole discretion, apply for such a ruling from the IRS.

**181.** The federal tax consequences associated with an investment in the START Saving Program can be complex. In addition, some states may impose penalties and/or taxes on investments in, or Disbursements or Refunds from, a Qualified Tuition Program offered by other states. Louisiana

does impose penalties and taxes for Refunds. These penalties and taxes may, in certain cases, result in an effective reduction or loss of some or all of the federal tax benefits discussed below. (See the “*State Tax Considerations*” section below for additional information.) You should consult a tax adviser regarding the application of federal tax laws to your particular circumstances.

### Federal Tax Treatment of Earnings

**182.** Any earnings on Deposits are tax-deferred, which means your ESA assets grow free of current federal income tax and will not be included in taxable income when withdrawn for payment of Qualified Higher Education Expenses. (See the *Distributions* section below.)

### Federal Gift/Estate Tax

**183.** Deposits to the START Saving Program are considered completed gifts for federal tax purposes and, therefore, are potentially subject to federal gift tax; however, there are annual exclusions, which are periodically adjusted for inflation. For 2009 and until adjusted, if the amounts contributed by you on behalf of the Beneficiary together with any other gifts to that person (over and above those made to your ESA) do not exceed \$13,000 per year (\$26,000 for married couples making a proper election), no gift tax will be imposed for that year. Gifts of up to \$65,000 can be made in a single year (\$130,000 for married couples making a proper election) for a Beneficiary and averaged out over five years for the gift tax exclusion. This allows you to move assets into tax-deferred investments and out of your estate more quickly.

**184.** Generally, assets in an ESA are not included in your estate, unless you elect the five-year averaging and die before the end of the fifth (5<sup>th</sup>) year. In general, if you die with assets still remaining in your ESA, the ESA’s value will not be included in your estate for federal estate tax purposes. If your Beneficiary dies, the value of the ESA may be included in the Beneficiary’s estate for federal tax purposes. Further rules regarding gifts and the generation-skipping transfer tax may apply in the case of Disbursements and Refunds, changes of Beneficiaries, and other situations. You should consult with a tax adviser when considering a change of Beneficiary or transfers to another ESA or the specific effect of the gift tax and generation-skipping transfer tax on your situation.

### Transfers and Rollovers

**185.** Certain transfers can be made without incurring income tax consequences or a Federal Additional Tax. A Rollover Deposit must be placed in another ESA or an account of another Qualified Tuition Program within sixty (60) days. If the new Beneficiary is a member of a generation lower than the prior Beneficiary, the transfer may be subject to the gift tax or generation-skipping transfer tax. Changes

in your Beneficiary could potentially cause gift and/or generation-skipping transfer tax consequences to the Beneficiary and/or Account Owner. Because gift and generation-skipping transfer tax issues are complex, you should consult with your tax adviser.

### Coverdell Education Savings Accounts

**186.** Generally, Deposits may be made to both a Coverdell Education Savings Account (defined in IRC Section 530) and a Qualified Tuition Program in the same year on behalf of the same Beneficiary. However, the same educational expenses cannot be claimed for a tax-exempt Disbursement or Refund from both the Coverdell Education Savings Account and the Qualified Tuition Program.

**187.** Unless further action is taken by Congress, after December 31, 2010, a 6% excise tax would apply to contributions made to a Coverdell ESA in the same year as a contribution to an IRC Section 529 Qualified Tuition Program for the same designated Beneficiary. An Account Owner should consult a tax advisor regarding the availability of Education Tax Credits and the coordination of rules applicable to Coverdell ESAs and IRC Section 529 Qualified Tuition Programs and the Education Tax Credits.

### Education Tax Credits

**188.** You and your Beneficiary, if eligible, can take advantage of Hope and Lifetime Learning Tax Credits without affecting your participation in the START Saving Program or its benefits. Hope and Lifetime Learning Credits can be claimed in the same year that a tax-exempt Disbursement is taken from the START Saving Program provided the total of the distribution is not used for the same educational expenses. (If you pay tuition with a Disbursement from the START Saving Program, you cannot claim a Hope or Lifetime Learning Credit for the tuition.) An Account Owner should consult a tax advisor regarding the availability of Education Tax Credits and the coordination of rules applicable to IRC Section 529 Qualified Tuition Programs and the Education Tax Credits.

### Disbursements from an ESA

#### Generally

**189.** Disbursements have two components: (1) principal, which is not taxable when distributed, and (2) earnings, if any, which may be subject to federal income taxation. The earnings portion is determined at calendar year-end based on IRS rules, and earnings are reported to the IRS and the taxable party on Form 1099-Q (or other applicable form). However, the Form 1099-Q does not report whether a payment out of an ESA is a Disbursement (Qualified Distribution) or a Refund (Non-Qualified Distribution).

You are responsible for preparing and filing the appropriate forms when completing your federal income tax return and for paying any applicable tax directly to the IRS.

**DISBURSEMENT TIMING:** Disbursements must be requested during the calendar year QHEEs are incurred or within one (1) academic term before or after the calendar year they are incurred.

### Qualified Higher Education Expense Disbursements

**190.** When money is withdrawn from your ESA to pay for Qualified Higher Education Expenses, all of the ESA's investment gains are distributed federally income tax-free, provided you do not also claim all or part of these Qualified Higher Education Expenses as a Hope or Lifetime Learning Credit.

### Refunds (Non-Qualified Distributions) and the Federal Additional Tax

**191. General** – A Refund (Non-Qualified Distribution) is any distribution from an ESA other than a Disbursement (Qualified Distribution) or a qualifying Rollover. The earnings portion of a Refund is subject to federal and applicable state income tax and, in most cases, a 10% Federal Additional Tax on earnings.

**192. Exceptions to the Additional Tax** – There is an exception to the ten percent (10%) Federal Additional Tax imposed for any Refund (Non-Qualified Distribution) on account of:

- the death of the Beneficiary if paid to the Beneficiary's estate;
- the disability of the Beneficiary within the meaning of IRC Section 72(m)(7);
- the receipt of a scholarship by the Beneficiary to the extent the amount withdrawn does not exceed the amount of such scholarship;
- the use of Hope Scholarship tax credits (also known as American Opportunity tax credits for 2009 and 2010) or Lifetime Learning tax credits (together "Education Tax Credits") as allowed under federal income tax law; or
- the attendance of the Beneficiary at certain specified military academies.

**193.** The Refund should be taxable to the Beneficiary if it is paid to the Beneficiary or the Eligible Educational Institution.

### Aggregation of ESAs

**194.** For purposes of calculating the breakdown between the principal and earnings portion of any Disbursement or Refund, the IRS requires that all ESAs in the START Saving Program with the same Account Owner and

Beneficiary be treated as one ESA. Therefore, the Form 1099-Q may report an amount of earnings that is greater or lesser than the actual earnings on any particular ESA.

### Determination of Taxable Earnings

**195.** The principal and earnings portion of Disbursements and Refunds for federal tax purposes are determined by a formula reflecting the proportion of Deposits to the ESA's overall market value of your ESAs in the START Saving Program for the same Beneficiary. If a Refund is subject to a Federal Additional Tax, the Federal Additional Tax is applied to the earnings portion. The taxpayer is responsible for calculating and reporting any Federal Additional Tax to the IRS. Due to the IRS rules regarding aggregation of ESAs, the taxable earnings may be more or less than the actual earnings on any particular ESA or ESAs.

### Potential Future Changes in Federal Tax Law

**196.** The enhanced the federal tax incentives for IRC Section 529 Qualified Tuition Programs were made permanent by the Pension Protection Act of 2006. However, the federal laws are subject to change through legislative process.

### Notice of Proposed Rulemaking

**197.** On January 17, 2008, the IRS and the Treasury released an Advanced Notice of Proposed Rulemaking putting the public on notice of the Treasury's intention to publish a notice of proposed rulemaking. IRC Section 529 authorizes the IRS and the Treasury to promulgate regulations as needed to protect against certain types of abuse in the context of Qualified Tuition Programs. The notice of proposed rulemaking will provide a general anti-abuse rule that will apply when accounts, are established or used for purposes of avoiding or evading the federal income, estate, gift, and generation-skipping transfer tax or for other purposes inconsistent with IRC Section 529. In addition, the notice of proposed rulemaking will include rules relating to the federal tax treatment of Account Owner's and their contributions (Deposits) to Qualified Tuition Programs, including rules addressing the inconsistency between IRC Section 529 and the generally applicable income tax and the federal estate, gift and generation-skipping transfer tax provisions of the Code. The notice of proposed rulemaking also will include rules that may relate to the function and operation of the Program and Accounts.

**198.** With some exceptions, the Regulations relating to Qualified Tuition Programs will be republished in the notice of proposed rulemaking. The guidance published after these Regulations in certain notices, instructions and publications also will be included in the forthcoming notice of proposed rulemaking. Taxpayers and Qualified Tuition Programs may continue to rely on the



information provided in existing published guidance. The IRS and the Treasury anticipate that the forthcoming notice of proposed rulemaking also will address additional comments that have been received with regard to certain administrative, federal, income tax, and other issues that affect Qualified Tuition Programs and accounts.

**199.** The IRS and the Treasury anticipate that the new rules to be provided in the notice of proposed rulemaking will generally apply prospectively to the Qualified Tuition Programs and accounts. Transition rules will be provided if necessary; however, certain anti-abuse rules may be applied on a retroactive basis.

**200.** The IRS and the Treasury also anticipate that the notice of proposed rulemaking may require some states (or agencies or instrumentalities thereof), including LATTA that have established and maintained Qualified Tuition Programs to make changes to the terms and operating provisions in order to ensure that Qualified Tuition Programs remain qualified under IRC Section 529. The forthcoming notice of proposed rulemaking will provide a grace period of no less than fifteen (15) months to implement most changes.

### State Tax Considerations

**201.** State tax benefits are available only to Louisiana residents/taxpayers. If you live outside Louisiana, you may want to compare any college savings program offered by your state with the START Saving Program. Your state of residence may provide tax benefits for Deposits to Qualified Tuition Programs, and state income taxes may apply to the earnings portion of Disbursements and Refunds for non-Louisiana residents. You should check with your tax adviser regarding the rules for your particular state.

**202.** Disbursements of earnings (including EEs and earnings thereon) from an ESA to pay Qualified Higher Education Expenses under the terms of the Participation Agreement are nontaxable for Louisiana state income tax purposes.

### State Income Tax Exclusions

**203.** For tax years beginning on or after January 1, 2001, an Account Owner is entitled to an exemption from his/her Louisiana state taxable income for amounts Deposited in an ESA up to a maximum of \$2,400 per ESA owned per taxable year. If an Account Owner does not use the full \$2,400 exemption in any tax year, any unused exemption may be rolled forward to be used in future tax years.

**204.** For tax years beginning on or after January 1, 2005, Account Owners filing joint returns are entitled to an exemption from their Louisiana state taxable income for amounts Deposited in an ESA up to a maximum of \$4,800

per beneficiary per taxable year. If Account Owners filing jointly do not use the full \$4,800 exemption in any tax year, any unused exemption may be rolled forward to be used in future tax years.

**205.** For tax years beginning on January 1, 2005, an Account Owner of an ESA classified in Category VI may deduct twice the amount Deposited per ESA per taxable year up to \$2,400 in deposits. If the Account Owner does not use the full \$4,800 exemption in any tax year, any unused exemption may be rolled forward to be used in future tax years.

**206.** Earnings credited to an ESA, and amounts exempted from income reported to the State that are subsequently Refunded by LATTA are taxable for Louisiana state income tax purposes and shall be reported by LATTA to the Account Owner no later than January 31 of the year following the year the Refund was made, in accordance with applicable tax laws. Refunds of principal Deposits which were previously excluded from state taxable income and which are not used for Qualified Higher Education Expenses must be included in state taxable income of the Account Owner for the year in which the Refund is received.

### State Gift Tax

**207.** For tax years beginning on January 1, 2005, Louisiana provides the same gift tax option provided under federal law and described in the *Federal Gift/Estate Tax* subsection under the *Federal Tax Considerations* section, above.

### Medicaid and Other Federal and State Issues

#### Non-Educational Benefits

**208.** The effect of the value of an ESA on an Account Owner's eligibility for Medicaid or other state and federal benefits is uncertain. It is possible that assets held in an ESA will be viewed as a "countable resource" in determining an Account Owner's financial eligibility for Medicaid. Disbursements from an ESA during certain periods may also have the effect of delaying the issuance of Medicaid payments. An applicant for an ESA should consult a tax advisor to determine how assets held in an ESA may affect eligibility for Medicaid or other state and federal non-educational benefits.

### Bankruptcy and Related Matters

**209.** Bankruptcy legislation that became effective for bankruptcy cases commenced by individuals under Title 11 of the United States Code on or after October 17, 2005, expressly excludes from such individual's bankruptcy estate (and, therefore, will not be available for Disbursement or Refund to such individual's creditors),

certain funds Deposited by such individual to an IRC Section 529 Qualified Tuition Program. The bankruptcy protection for IRC Section 529 Qualified Tuition Programs is limited. To be protected, the Beneficiary of the Qualified Tuition Program must be a child, stepchild, grandchild, or step-grandchild of the Account owner during the year of the Deposit and the funds must have been Deposited at least 365 days prior to a bankruptcy filing. The bankruptcy exclusion imposes a cap on the amount that may be excluded from such individual's bankruptcy estate based on when the Deposit was made. During the period between 365 and 720 days prior to the bankruptcy filing, the maximum amount that can be excluded is \$5,850. Deposits made more than 720 days prior to the bankruptcy filing are not to be part of the bankruptcy estate provided that the aggregate amount contributed by such individual to the Qualified Tuition Program does not exceed the Maximum Allowable Account Balance. Account Owners should consult with their tax or investment advisor for more information concerning their individual circumstances.

### Refunds - Tax Consequences

**210.** With the exception of ESAs classified in Category VI, the Account Owner who is a Natural Person may name a substitute Beneficiary who is not a Member of the Family of the former Beneficiary. (See the *ESA Categories* section above for more information.) In this instance, the ESA will be terminated, the moneys Deposited and the interest earned thereon will be Refunded, and a new ESA will be opened in the name of the new Beneficiary. Earnings that are transferred may be subject to a ten percent (10%) Federal Additional Tax. Any EEs and the interest earned thereon will be forfeited; however, EEs will be paid the following calendar year on the amount Deposited in the new ESA. Additionally, the Deposits excluded from state taxable income in the year the Deposits were made and which were subsequently Refunded and used for other than Qualified Higher Education Expenses must be included in the Account Owner's state taxable income for the year in which the Refund is received. The Account Owner should consult with a qualified tax professional to determine the proper treatment of the transferred funds for state and federal tax purposes.

**211.** The Account Owner of an ESA classified in Category VI may also name a substitute Beneficiary who is not a Member of the Family of the former Beneficiary. In this instance, the ESA will be terminated and the moneys Deposited and the interest earned thereon will be transferred to a new ESA in the name of the new Beneficiary. Any EEs and the interest earned thereon will be forfeited; however, EEs will be paid the following calendar year on the amount Deposited in the new ESA. The naming of a substitute Beneficiary who is not a Member of the Family of the original Beneficiary may be treated as a Refund under federal and state tax laws, in which case the Account Owner will be subject to any associated tax consequences. The Account Owner should

consult with a qualified tax professional to determine the proper treatment of the transferred funds for state and federal tax purposes.

### Securities Considerations

**212.** LATTA has not heretofore requested a "no-action" letter from the U.S. Securities and Exchange Commission. It has sought a ruling or advisory opinion from the Louisiana Securities Commission as to whether START Saving Program Participation Agreements constitute securities. The Louisiana Securities Commission has stated that the Agreements appear to be an investment contract and, as such, constitute "securities" as that term is defined in the Securities Act of 1933 (the "Securities Act"). LATTA has sought the opinion of and has been advised by independent counsel that START Saving Program Participation Agreements, if considered "securities" within the meaning of the Securities Act, is, in their opinion, exempt from the registration provisions of the Securities Act under the exemption afforded by Section 3 (a) (2) of the Securities Act. A similar exemption exists with respect to these agreements under the Louisiana Securities Act pursuant to Louisiana Revised Statutes 51:708. Other states' Qualified Tuition Programs have received no-action letters and have been exempt from registration requirements.

### TERMINATION OF ESAS

**213.** The Participation Agreement may be terminated at any time by Account Owners who are Natural Persons and whose ESAs are classified in Categories I, II, III, IV or V. (See the *ESA Categories* section above for more information.) All funds in the ESA, except EEs and interest thereon, will be Refunded if the ESA has been open at least twelve (12) months. In the event an ESA is terminated within twelve (12) months of the date the ESA was opened, the Refund will be equal to the Deposits made to the Louisiana Principal Protection Fund and WILL NOT INCLUDE INTEREST nor EEs.

**214.** ESAs classified in Category VI and ESAs whose owners are Legal Entities **MAY NOT** be terminated by the Account Owner, but the Account Owner can name a substitute Beneficiary in accordance with the terms of the Participation Agreement.

**215.** Termination of ESAs invested in the Louisiana Principal Protection Fund shall be effective at midnight of the business day on which a valid request for ESA termination is received. ESAs invested in the Louisiana Principal Protection Fund will be credited with interest earned on principal Deposits through the effective date of the termination of the ESA.

**216** If an Account Owner who is a Legal Entity names a substitute Beneficiary who is not a Member of the Family of the Beneficiary, the transfer of funds may be considered a Refund under federal tax statutes and that portion of the

transfer which is considered earnings may be subject to a Federal Additional Tax of ten percent (10%) and a state income tax liability. Additionally, a transfer to a substitute Beneficiary who is not a Member of the Family of the Beneficiary can result in a reduction in the EEs allocated to the ESA. Please contact your tax or investment advisor for more information.

**217.** Funds invested in Variable Earnings investment funds are not guaranteed and the Refund will be the Current Value of the ESA, less EEs and earnings thereon, on the next business day after the business day the request for termination is received. Refunds from ESAs are invested in a Variable Earnings investment funds may be less than the total of the original Deposits, less any Disbursements. Earnings that are Refunded may be subject to state and federal income tax penalties. As an alternative to terminating an ESA, the Account Owner may substitute a Member of the Family of the Beneficiary as a new Beneficiary in accordance with the terms of the Participation Agreement, in which case there would be no tax penalties.

### **TRADE DATE**

**218.** Each transaction (including Deposits, Disbursements, changes in investments, and Refunds) executed on ESAs invested in a Variable Earnings investment fund shall be assigned a Trade Date. Investments made by check or automatic bank debit are assigned a Trade Date that provides sufficient time for the check to be negotiated or the automatic bank debit to clear and funds made available for investment.

**219.** For the purposes of the Participation Agreement, the Trade Date is:

- The date that a Deposit to a Variable Earnings investment fund is assigned a value in units.
- The date a Disbursement or Refund from a Variable Earnings investment fund is assigned a value.
- The date a change in a Variable Earnings investment fund that includes Variable Earnings is assigned a value.

**220.** Deposits for a Variable Earnings investment fund will be assigned a Trade Date based on the method of Deposit and the date of receipt. (Deposits received on

weekends and holidays will be considered received on the next business day.)

- Deposits by check and ACH Network (automatic bank debit) will be assigned a Trade Date three (3) business days after the business day during which they were received.
- Deposits made by all other means of electronic funds transfer will be assigned a Trade Date of one (1)

business day after the business day during which they were received.

**221.** Disbursements from a Variable Earnings investment fund will be assigned a Trade Date of one (1) business day after the business day of receipt of the request.

**222.** Refunds from a Variable Earnings investment fund will be assigned a Trade Date of one (1) business day after the business day of receipt of the request.

**223.** For assets currently in an ESA, requests for a change from a Variable Earnings investment fund to a different investment fund will be assigned a Trade Date of one (1) business day after the business day of receipt of the request.

### **TRANSFER OF ESAS**

**224.** An ESA is generally nontransferable by Account Owners. With the exception of donations to an ESA classified in Category VI, Refunds may be made to an Account Owner who is a Natural Person because of the death or Disability of the Beneficiary (See the *Refunds* and *Successor Account Owner* sections for more information.)

### **THE VANGUARD GROUP**

**225.** The Vanguard Group (**Vanguard**) is under contract to LATTA and the Louisiana State Treasurer to provide investment products for use by the START Saving Program. The Louisiana State Treasurer created the Variable Earnings investment funds that are being offered by the START Saving Program. Account Owners select a Variable Earnings investment fund and invest in the START Saving Program, which in turn invests the assets of the START Saving Program in investment products from among those offered by Vanguard. The funds created by the Louisiana State Treasurer, and the underlying investment products, may change from time to time, in which case LATTA will notify Account Owners prior to such changes. LATTA reserves the right to change investment managers upon its determination such change would be in the best interests of participants in the START Saving Program.

**226.** Vanguard serves as the investment manager of the Vanguard mutual funds that make up the three Age-Based Funds and six individual Vanguard mutual funds. Vanguard, headquartered in Valley Forge, Pennsylvania, is one of the world's largest investment management companies. Vanguard is a leader in the Qualified Tuition Program marketplace, managing over \$27 billion in assets as of March 1, 2010. Vanguard manages approximately \$1 trillion in U.S. mutual fund assets as of January 31, 2010. Vanguard offers more than 160 funds to U.S. investors and more than 40 additional funds in foreign markets.

**227.** The Variable Earnings investment funds offered by the START Saving Program include underlying mutual funds managed by Vanguard. Vanguard publishes a prospectus for each of its funds, which discloses the fund's objectives, policies, past performance and risks. If you are interested in a Variable Earnings investment fund, you should read the prospectus for that fund. (See the Appendix C, *Contact Us* below for Vanguard's contact information.)



## **APPENDIX A: PARTICIPATION AGREEMENTS**

### **PARTICIPATION AGREEMENT FOR AN EDUCATION SAVINGS ACCOUNT OWNED BY AN INDIVIDUAL**

In return for an Education Savings Account (ESA), I agree, represent and warrant to the Louisiana Tuition Trust Authority (“LATTA”) as set forth below. Each capitalized term used but not defined in this Participation Agreement has the meaning that term has in the Disclosure Booklet.

A. General:

1. I understand and agree that this Participation Agreement is subject to and incorporates by reference the Disclosure Booklet, the START Saving Program statute and LATTA rules implementing the statute, as modified from time to time.
2. I understand that the Louisiana Office of Student Financial Assistance (“LOSFA”) manages the program on a day-to-day basis under the direction of LATTA.
3. I have received, read and understand the START Saving Program Disclosure Booklet. I understand that this Participation Agreement shall become effective upon the opening of my ESA on the records of LOSFA.
4. I certify that I am opening my ESA to provide funds for the Qualified Higher Education Expenses of the Beneficiary of the ESA.
5. I understand that pursuant to federal and Louisiana law, any Deposit, or portion of a Deposit, made by me for a Beneficiary will be rejected and returned to the extent that the amount of the Deposit would cause the total ESA balance for all ESAs under the program for that Beneficiary to exceed the Maximum Allowable Account Balance.
6. I recognize that the investment of Deposits and of investment returns in my ESA involves certain risks and I have taken into consideration and understand the risk factors related to these investments.
7. I understand that neither I nor my Beneficiary is, or will be, permitted to exercise any investment direction over my ESA other than my allocation of the moneys to a fund or funds selected by the State Treasurer, as provided in the Disclosure Booklet.
8. I understand that one hundred percent (100%) of Deposits allocated to the Louisiana Principal Protection Fund will be invested in Fixed Earnings investments such as government bonds, notes, and certificates of Deposit. I understand that I cannot lose money because the State guarantees the return of my principal, but I acknowledge that the State does not guarantee any particular investment return or any return at all.
9. With respect to Deposits to Variable Earnings funds, I understand and acknowledge that neither Deposits nor investment returns allocated to my ESA are guaranteed or insured by any person or entity, including but not limited to, the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer, The Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors, or investment managers selected or approved by LATTA or any agents, representatives or successors of the foregoing.
10. I understand and acknowledge that with respect to each investment fund there is no guarantee or commitment whatsoever from the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer or any other person or entity that:
  - a. actual higher education expenses will be equal to projections and estimates provided by LATTA;
  - b. the Beneficiary of my ESA will be admitted to any Eligible Educational Institution;
  - c. upon admission to an Eligible Educational Institution, my Beneficiary will be permitted to continue to attend;
  - d. upon admission to an Eligible Educational Institution, state residency will be created for tuition, tax, financial aid eligibility, or any other purpose for my Beneficiary;
  - e. my Beneficiary will graduate or receive a degree from any educational institution; or
  - f. the Deposits and investment returns in my ESA will be sufficient to cover the Qualified Higher Education Expenses of my Beneficiary.
11. I understand that the Louisiana State Treasurer may change the Investment Funds offered by the START Saving Program from time to time.
12. (The following sentence is applicable to individuals executing this Participation Agreement in a representative capacity.) I have full power and authority to enter into and perform this Participation Agreement on behalf of the individual named above as Account Owner.
13. I understand and acknowledge that I have not been advised by the State of Louisiana, LATTA, LOSFA or any other person or entity to invest, or to refrain from investing, in a particular fund.

14. I understand that I may cancel this Participation Agreement at any time. I understand that this may be accomplished by:
  - a. requesting a Disbursement of all the funds in the ESA, if the amount requested does not exceed the maximum amount of Qualified Higher Education Expenses for that year; or
  - b. submitting a written request for termination of the ESA and a Refund (Non-Qualified Distribution), in which case the penalties referenced in paragraph B of this Participation Agreement may apply.
- B. Penalties and Fees. I understand and agree that a Refund from my ESA will be subject to:
  1. the Federal Additional Tax of ten percent (10%) of the earnings portion of a Non-Qualified Distribution that is payable through the Account Owner's federal income tax return to the United States Treasury, unless the Refund was made on account of: a) the death of the Beneficiary if paid to the Beneficiary's estate; b) the disability of the Beneficiary within the meaning of IRC Section 72(m)(7); c) the receipt of a scholarship by the Beneficiary to the extent the amount withdrawn does not exceed the amount of such scholarship; d) the use of Hope Scholarship tax credits (also known as American Opportunity tax credits for 2009 and 2010) or Lifetime Learning tax credits (together "Education Tax Credits") as allowed under federal income tax law; or e) the attendance of the Beneficiary at certain specified military academies;
  2. federal income tax on earnings;
  3. Louisiana income tax on the amount of Deposits excluded from the Account Owner's reported state taxable income (must be paid for the year in which the Refund was made);
  4. Louisiana income tax on earnings;
  5. loss of interest earned, if my ESA is terminated within one (1) year of the date it was opened; and
  6. the loss of all Earnings Enhancements and interest thereon.
- C. I acknowledge that the rate of the Federal Additional Tax and the State tax consequences for Refunds may change.
- D. I acknowledge and agree that my ESA may be subject to other fees, charges or penalties in the future, if imposed by LATTA.
- E. Necessity of Qualification. I understand that the START Saving Program is intended to be a Qualified Tuition Program under IRC Section 529 and to achieve favorable State tax treatment under Louisiana law. I agree that LATTA may make changes to the

START Saving Program and this Participation Agreement at any time if it is determined that such changes are necessary for the continuation of the federal income tax treatment provided by IRC Section 529 or the favorable State tax treatment provided by Louisiana law, or any similar successor legislation.

- F. Rules and Regulations. My ESA and this Participation Agreement are subject to future changes to the Disclosure Booklet and to such rules and regulations as LATTA may promulgate in accordance with State law.
- G. Indemnity. I understand that the establishment of my ESA will be based upon my agreements, representations and warranties set forth in this Participation Agreement. I agree to indemnify and hold harmless the State of Louisiana, LATTA, LOSFA, The Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors or investment managers selected or approved by LATTA, and any agents, representatives, or successors of any of the foregoing, from and against any and all loss, damage, liability or expense, including reasonable attorney's fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me on the Account Application or otherwise with respect to my ESA, and any breach by me of any of the agreements, representations or warranties contained in this Participation Agreement. All of my agreements, representations and warranties shall survive the termination of this Participation Agreement.
- H. Binding Nature; Third-Party Beneficiaries. This Participation Agreement shall survive my death and shall be binding upon my successor Account Owner, my personal representatives, heirs, successors and assigns. The Program Managers are third-party beneficiaries of my agreements, representations and warranties in this Participation Agreement.
- I. Amendment and Termination. At any time, and from time to time, LATTA may amend this Participation Agreement or the Disclosure Booklet, or the Fund may be suspended or terminated, but except as permissible under applicable law, my ESA may not thereby be diverted from the exclusive benefit of my Beneficiary or from my control.
- J. Governing Law and Venue for Disputes. This Participation Agreement is governed by Louisiana law and any action arising under this Agreement shall be brought in the Parish of East Baton Rouge, State of Louisiana.

## PARTICIPATION AGREEMENT FOR A LEGAL ENTITY ESA

**This Agreement applies to all ESAs opened on behalf of all Legal Entities. These ESAs are classified in ESA Category IV.**

When opening an ESA in the START Saving Program or conducting a transaction for that ESA for a Legal Entity, the Account Owner must provide documentary substantiation of the following: (1) the legal status of the Legal Entity; (2) authorization by the Legal Entity to open the ESA or conduct the transaction; and (3) authorization by the Legal Entity for the signer of the form to do so and to open the ESA and conduct the transaction on behalf of the Legal Entity. The same document may provide substantiation of all of the three elements above. The documents set forth at the end of this Participation Agreement, which must be dated no more than sixty (60) days prior to receipt by the Louisiana Tuition Trust Authority ("LATTA"), have been approved by LATTA to meet substantiation requirements.

I, on behalf of the Account Owner, a Legal Entity named in the Account Application, to open an ESA in the START Saving Program agree, represent and warrant to LATTA, as set forth below. Each capitalized term used but not defined in this Participation Agreement has the meaning that term has in the Disclosure Booklet.

**A. General – On behalf of and for benefit of the Account Owner:**

1. I understand and agree that this Participation Agreement is subject to and incorporates by reference the Disclosure Booklet, the START Saving Program statute and LATTA rules implementing the statute, as modified from time to time.
2. I understand that the Louisiana Office of Student Financial Assistance ("LOSFA") manages the program on a day-to-day basis under the direction of LATTA.
3. I have received, read and understand the START Saving Program Disclosure Booklet. I understand that this Participation Agreement shall become effective upon the opening of this ESA on the records of LOSFA.
4. I certify that I am authorized by the Account Owner to open this ESA, including execution of this Participation Agreement, to provide funds for the Qualified Higher Education Expenses of the Beneficiary.
5. I understand that pursuant to federal and Louisiana law, any Deposits, or portion of a Deposit, made to this ESA for the Beneficiary will be rejected and returned to the extent that the amount of the Deposits would cause the total ESA balance for all ESAs under the program for that Beneficiary to exceed the Maximum Allowable Account Balance.
6. I understand that this ESA is classified in Category IV and that Earnings Enhancements are limited to two percent (2%).
7. I recognize that the investment of Deposits and of investment returns in this ESA involves certain risks and I have taken into consideration and understand the risk factors related to these investments.
8. I understand that neither the Account Owner nor the Beneficiary is, or will be, permitted to exercise any investment direction over the ESA other than allocation of the moneys to a fund or funds selected by the State Treasurer, as provided in the Disclosure Booklet.
9. I understand that one hundred percent (100%) of Deposits allocated to the Louisiana Principal Protection Fund will be invested in Fixed Earnings investments such as government bonds, notes, and certificates of Deposit. I understand that the Account Owner cannot lose money because the State guarantees the return of the Account Owner's principal, but I acknowledge that the State does not guarantee any particular investment return or any return at all.
10. With respect to Deposits to variable Earnings funds, I understand and acknowledge that neither Deposits nor investment returns allocated to this ESA are guaranteed or insured by any person or entity, including but not limited to, the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer, The Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors, or investment managers selected or approved by LATTA or any agents, representatives or successors of the foregoing.
11. I understand and acknowledge that with respect to each Investment Fund there is no guarantee or commitment whatsoever from the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer or any other person or entity that:
  - a. actual higher education expenses will be equal to projections and estimates provided by LATTA;
  - b. the Beneficiary of this ESA will be admitted to any Eligible Educational Institution;
  - c. upon admission to an Eligible Educational Institution, the Beneficiary will be permitted to continue to attend;
  - d. upon admission to an Eligible Educational Institution, state residency will be created for tuition, tax, financial aid eligibility, or any other purpose for the Beneficiary;
  - e. the Beneficiary will graduate or receive a degree from any educational institution; or
  - f. the Deposits and investment returns in my ESA will be sufficient to cover the Qualified Higher Education Expenses of the Beneficiary.

12. I understand that the Louisiana State Treasurer may change the Investment Funds offered by the START Saving Program and the START Saving Program investments from time to time.
  13. I understand and acknowledge that I have not been advised by the State of Louisiana, LATTA, LOSFA or any other person or entity to invest, or to refrain from investing, in a particular fund.
  14. I understand that I may not cancel this Participation Agreement unless all funds in the account have been Disbursed. I understand that I may request a Disbursement of all the funds in the ESA, if the amount requested does not exceed the maximum amount of Qualified Higher Education Expenses for that year.
- B. Penalties and Fees. I understand and agree that a Refund/Non-Qualified Distribution from this ESA will be subject to:
1. the Federal Additional Tax of ten percent (10%) of the earnings portion of a Non-Qualified Distribution that is payable through the Account Owner's federal income tax return to the United States Treasury, unless the Refund was made on account of: a) the death of the Beneficiary if paid to the Beneficiary's estate; b) the disability of the Beneficiary within the meaning of IRC Section 72(m)(7); c) the receipt of a scholarship by the Beneficiary to the extent the amount withdrawn does not exceed the amount of such scholarship; d) the use of Hope Scholarship tax credits (also known as American Opportunity tax credits for 2009 and 2010) or Lifetime Learning tax credits (together "Education Tax Credits") as allowed under federal income tax law; or e) the attendance of the Beneficiary at certain specified military academies;
  2. federal income tax on earnings;
  3. Louisiana income tax on the amount of Deposits excluded from the Account Owner's reported state taxable income (must be paid for the year in which the Refund was made);
  4. Louisiana income tax on earnings;
  5. loss of interest earned, if my ESA is terminated within one (1) year of the date it was opened; and
  6. the loss of all EEs and interest thereon.
- C. I acknowledge that the rate of the federal additional tax and the state tax consequences for Refunds may change.
- D. Necessity of Qualification. I understand that the START Saving Program is intended to be a "Qualified Tuition Program" under IRC Section 529, and to achieve favorable state tax treatment under Louisiana law. I agree that LATTA may make changes to the START Saving Program and this Participation Agreement at any time if it is determined that such changes are necessary for the continuation of the federal income tax treatment provided by IRC Section 529 or the favorable state tax treatment provided by Louisiana law, or any similar successor legislation.
- E. Rules and Regulations. The ESA and this Participation Agreement are subject to future changes to the Disclosure Booklet and to such rules and regulations as LATTA may promulgate in accordance with State law.
- F. Indemnity. I understand that the establishment of this ESA will be based upon my agreements, representations and warranties on behalf of the Account Owner set forth in this Participation Agreement. The Account Owner, or if it is determined I am not an authorized agent of the Account Owner and the Account Owner does not ratify my actions, I agree to indemnify and hold harmless the State of Louisiana, LATTA, LOSFA, The Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors or investment managers selected or approved by LATTA, and any agents, representatives, or successors of any of the foregoing, from and against any and all loss, damage, liability or expense, including reasonable attorney's fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me on the Account Application or otherwise with respect to this ESA, and any breach by me of any of the agreements, representations or warranties contained in this Participation Agreement. All of my agreements, representations and warranties shall survive the termination of the Participation Agreement.
- G. Binding Nature; Third-Party Beneficiaries. This Participation Agreement shall survive the dissolution of the Account Owner and shall be binding upon the Beneficiary and the Account Owner, its successor Account Owner, its personal representatives, heirs, successors and assigns. The Program Managers are third-party beneficiaries of my agreements, representations and warranties in this Participation Agreement.
- H. Amendment and Termination. At any time, and from time to time, LATTA may amend this Participation Agreement or the Disclosure Booklet, or the Fund may be terminated, but except as permissible under applicable law, this ESA may not thereby be diverted from the exclusive benefit of the Beneficiary.
- I. Governing Law and Venue for Disputes. This Participation Agreement is governed by Louisiana law and any action arising under the Participation Agreement shall be brought in the Parish of East Baton Rouge, State of Louisiana.
- J. I have submitted with Account Application documentation authorizing me to open an ESA on behalf of the Account Owner, which is a Legal Entity, and to conduct all transactions on the ESA.

### List of Approved Documents for Substantiation of Authorization to Act on Behalf of a Legal Entity

1. a corporate by-law extract or corporate resolution certified by an officer of the corporation (other than an individual authorized thereby to act as signer for the corporation's ESA) with raised seal if in use by the corporation;
2. a certificate signed by the owner of a sole proprietorship;
3. a certificate signed by a general partner of a partnership (other than an individual authorized by the certificate to act as signer for the partnership's ESA);
4. a certificate signed by either an officer of a limited liability company, other company or association (other than an individual authorized by the certificate to act as signer for the account of the limited liability company, other company or association);
5. a certificate signed by the chief executive officer or a person designated by the chief executive officer in writing of a state or local government agency;
6. a certified copy of a court order establishing an estate and naming a legal representative of the estate that is authorized to act as signer for the account of the estate;
7. a certificate signed by the trustee of a trust, a court order, or a certified copy of the portions of a trust instrument that confirms the creation of the trust and the identity of the trustee, and provides authorization for the trustee to act as a signer for the ESA of the trust;
8. a letter or memorandum from the Internal Revenue Service indicating that the entity is an organization described in IRC Section 501C(3);
9. an original memorandum exhibiting the appropriate letterhead and containing the holographic signature of (a) the chief executive officer of a corporation or limited liability company; (b) the general partner of a partnership; (c) the owner of a sole proprietorship; or (d) the chief executive officer of a state or local government agency;
10. if the Legal Entity Account Owner is unable to provide substantiation in any of the foregoing forms, the entity Account Owner may propose an alternate form of substantiation to LOSFA for consideration. LOSFA will review the alternate form of substantiation for authenticity and completeness. LOSFA will either accept or reject the documentation. LOSFA's decision is final.



## PARTICIPATION AGREEMENT FOR A CUSTODIAL ESA

**This Agreement applies to ESAs opened for minors by custodians appointed by a court of competent jurisdiction to administer the estate of a minor child and to custodians appointed in accordance with the Uniform Transfers to Minors Act. These ESAs are opened on behalf of the minor child and are classified in ESA Category IV.**

I agree, represent and warrant to the Louisiana Tuition Trust Authority (“LATTA”) as set forth below. Each capitalized term used but not defined in this Participation Agreement has the meaning that term has in the Disclosure Booklet.

A. General – On behalf of and for benefit of the Account Owner/Beneficiary:

1. I understand and agree that this Participation Agreement is subject to and incorporates by reference the Disclosure Booklet, the START Saving Program statute and LATTA rules implementing the statute, as modified from time to time.
2. I understand the Louisiana Office of Student Financial Assistance (“LOSFA”) manages the program on a day-to-day basis under the direction of LATTA.
3. I have received, read and understand the START Saving Program Disclosure Booklet. I understand that this Participation Agreement shall become effective upon the opening of the ESA on behalf of the Beneficiary on the records of LOSFA.
4. I certify that I am opening this ESA as custodian of Beneficiary’s property to provide funds for the Qualified Higher Education Expenses of the Beneficiary of the ESA.
5. I understand that this ESA is classified in Category IV and that Earnings Enhancements are limited to two percent (2%).
6. I understand that full custody and control of this ESA shall be automatically transferred to the Beneficiary at the age designated under the law governing or the applicable terms and conditions of the UGMA/UTMA custodial account and at that time the Account Owner/Beneficiary will be bound by the provisions of this Participation Agreement as are in effect at that time.
7. I understand that pursuant to federal and Louisiana law, any Deposit, or portion of a Deposit, made by me for a Beneficiary will be rejected and returned to the extent that the amount of the Deposit would cause the total ESA balance for all ESAs under the program for that Beneficiary to exceed the Maximum Allowable Account Balance.
8. I recognize that the investment of Deposits and of investment returns in this ESA involves certain risks and I have taken into consideration and understand the risk factors related to these investments.
9. I understand that neither I, nor the Beneficiary, is or will be permitted to exercise any investment direction over the ESA other than allocation of the moneys to a fund or funds selected by the State Treasurer, as provided in the Disclosure Booklet.
10. I understand that one hundred percent (100%) of Deposits allocated to the Louisiana Principal Protection Fund will be invested in Fixed Earnings investments such as government bonds, notes, and certificates of deposit. I understand that the Beneficiary cannot lose money because the State guarantees the return of the principal Deposited therein, but I acknowledge that the State does not guarantee any particular investment return or any return at all.
11. With respect to Deposits to Variable Earnings funds, I understand and acknowledge that neither Deposits nor investment returns allocated to the ESA are guaranteed or insured by any person or entity, including but not limited to, the State of Louisiana, LATTA, LOSFA, the Louisiana State Treasurer, The Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors, or investment managers selected or approved by LATTA or any agents, representatives or successors of the foregoing.
12. I understand and acknowledge that with respect to each Investment Fund there is no guarantee or commitment whatsoever from the State of Louisiana, LOSFA, LATTA, the Louisiana State Treasurer or any other person or entity that:
  - a. actual higher education expenses will be equal to projections and estimates provided by LATTA;
  - b. the Beneficiary of the ESA will be admitted to any Eligible Educational Institution;
  - c. upon admission to an Eligible Educational Institution, my Beneficiary will be permitted to continue to attend;
  - d. upon admission to an Eligible Educational Institution, state residency will be created for tuition, tax, financial aid eligibility, or any other purpose for my Beneficiary;
  - e. my Beneficiary will graduate or receive a degree from any educational institution; or
  - f. the Deposits and investment returns in the ESA will be sufficient to cover the Qualified Higher Education Expenses of my Beneficiary.
13. I understand that the Louisiana State Treasurer may change the Investment Fund offered by the START Saving Program from time to time.
14. I have full power and authority to enter into and perform this Participation Agreement on behalf of the individual named above as Account Owner.
15. I understand and acknowledge that I have not been advised by the State of Louisiana, LATTA, LOSFA or any other person or entity to invest, or to refrain from investing, in a particular fund.
16. I understand that I may cancel this Participation Agreement at any time. I understand that this may be accomplished by:
  - a. requesting a Disbursement of all the funds in the ESA, if the amount requested does not exceed the maximum amount of Qualified Higher Education Expenses for that year; or
  - b. submitting a written request for termination of the ESA and a Refund (/Non-Qualified

Distribution), in which case the penalties referenced in paragraph B of this Participation Agreement may apply.

B. Penalties and Fees. I understand and agree that a Refund/Non-Qualified Distribution from this ESA will be subject to:

1. the Federal Additional Tax of ten percent (10%) of the earnings portion of a Non-Qualified Distribution that is payable through the Account Owner's federal income tax return to the United States Treasury, unless the Refund was made on account of: a) the death of the Beneficiary if paid to the Beneficiary's estate; b) the disability of the Beneficiary within the meaning of IRC Section 72(m)(7); c) the receipt of a scholarship by the Beneficiary to the extent the amount withdrawn does not exceed the amount of such scholarship; d) the use of Hope Scholarship tax credits (also known as American Opportunity tax credits for 2009 and 2010) or Lifetime Learning tax credits (together "Education Tax Credits") as allowed under federal income tax law; or e) the attendance of the Beneficiary at certain specified military academies;
2. federal income tax on earnings;
3. Louisiana income tax on the amount of Deposits excluded from the Account Owner's reported state taxable income (must be paid for the year in which the Refund was made);
4. Louisiana income tax on earnings;
5. loss of interest earned, if my ESA is terminated within one year of the date it was opened; and
6. the loss of all EEs and interest thereon.

C. I acknowledge that the rate of the Federal Additional Tax and the State tax consequences for Refunds may change.

D. Necessity of Qualification. I understand that the START Saving Program is intended to be a "qualified tuition program" under IRC Section 529 and to achieve favorable state tax treatment under Louisiana law. I agree that LATTA may make changes to the START Saving Program and this Participation Agreement at any time if it is determined that such changes are necessary for the continuation of the federal income tax treatment provided by IRC Section 529 or the favorable state tax treatment provided by Louisiana law, or any similar successor legislation.

E. Rules and Regulations. The ESA and this Participation Agreement are subject to future changes to the Disclosure Booklet and to such rules and regulations as LATTA may promulgate in accordance with State law.

F. Indemnity. I understand that the establishment of this ESA will be based upon my agreements, representations and warranties on behalf of the Account Owner set forth in this Participation Agreement. The Account Owner, or if it is determined I am not court appointed custodian or a trustee appointed in accordance with the Uniform Transfers to Minors Act for the Account Owner, I agree to indemnify and hold harmless the State of Louisiana, LATTA, LOSFA, The Vanguard Group and its subcontractors and affiliates, any vendors, contractors, investment advisors or investment managers selected or approved by LATTA, and any agents, representatives, or successors of any of the foregoing, from and against any

and all loss, damage, liability or expense, including reasonable attorney's fees, that any of them may incur by reason of, or in connection with, any misstatement or misrepresentation made by me on the Account Application or otherwise with respect to this ESA, and any breach by me of any of the agreements, representations or warranties contained in this Participation Agreement. All of my agreements, representations and warranties shall survive the termination of the Participation Agreement.

G. Binding Nature; Third-Party Beneficiaries. This Participation Agreement shall survive my death and shall be binding upon the Beneficiary and the Account Owner, its successor Account Owner, its personal representatives, heirs, successors and assigns. The Program Managers are third-party beneficiaries of my agreements, representations and warranties in this Participation Agreement.

H. Amendment and Termination. At any time, and from time to time, LATTA may amend this Participation Agreement or the Disclosure Booklet, or the Fund may be terminated, but except as permissible under applicable law, this ESA may not thereby be diverted from the Account Owner's/Beneficiary's exclusive benefit.

I. Governing Law and Venue for Disputes. This Participation Agreement is governed by Louisiana law and any action arising under the Participation Agreement shall be brought in the Parish of East Baton Rouge, Louisiana.

## **APPENDIX B: GLOSSARY**

**Account Application and Participation Agreement** or **Participation Agreement** is the agreement for program participation that the Account Owner completes and signs. It incorporates, by reference, LSA-R.S. 17:3091, *et seq.*, and the rules promulgated by LATTA to implement this statutory provision, any other state or federal laws applicable to the agreement and all of the terms and conditions of this START Saving Program Disclosure Booklet.

**Account Owner** or **you** refers to the person(s), Independent Student, organization or group that completes the START Saving Program Account Application on behalf of a Beneficiary and is the Account Owner of record of all funds credited to the account.

**Act** is the Louisiana Student Tuition Assistance and Revenue Trust (START) Saving Program in LSA-R.S. 17:3091 *et seq.*

**Additional Federal Tax** is a federal surtax required by the Code that is equal to ten percent (10%) of the earnings portion of a Refund, unless an exception applies (See definition of *Refund*, below).

**Beneficiary** is the person designated by the Account Owner in the Education Savings Account (ESA) Account Application (or the person named by LATTA when authorized to make such a designation by the owner of an ESA that is classified under LSA-R.S. 17:3096.A(1)(e)), as the individual entitled to apply the ESA balance, or portions thereof, toward payment of his/her Qualified Higher Education Expenses.

**Code** or **IRC**: Internal Revenue Code of 1986, as amended. There are references to various Sections of the Code throughout this Disclosure Booklet, including IRC Section 529 as it currently exists and as it may subsequently be amended, and regulations adopted under it.

**Current Value** means the value of an Education Savings Account at a given point in time.

- The Current Value of the Louisiana Principal Protection Plan (a Fixed Earnings investment fund) includes the accumulated value of the principal Deposited, earnings on Deposits, Earnings Enhancements (EEs) allocated to the ESA and the earnings on EEs.
- The Current Value of a Variable Earnings investment fund includes the number of units in the investment fund purchased multiplied by the current value of each unit plus the EEs allocated to the ESA and the earnings on EEs. This value may be more or less than the amount originally Deposited.

**Deposit** refers to a contribution of U.S. currency to an ESA.

**Disabled** or **Disability** refers to an individual who is

considered to be disabled because he/she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration. An individual shall not be considered Disabled unless he furnishes proof of the existence thereof in such form and manner as LATTA may require.

**Disbursement** refers to a distribution from an IRC Section 529 Qualified Tuition Program used to pay the Qualified Higher Education Expenses of a designated Beneficiary.

**Earnings Enhancement (EE)** is a payment allocated to an ESA, on behalf of the Beneficiary of the ESA, by the state. The amount of the annual EE is calculated based upon the classification of an ESA, the annual federal adjusted gross income of the Account Owner, and total annual Deposits of principal into an ESA, including Deposits in Fixed Earnings and Variable Earnings investment funds. EEs, and the interest earned thereon, may only be used to pay the Beneficiary's Qualified Higher Education Expenses, or portion thereof, at an Eligible Educational Institution and cannot be Refunded.

**Education Savings Account (ESA)** is a savings account established by a Natural Person, a Legal Entity or an Other Person to pay Qualified Higher Education Expenses of the designated Beneficiary.

**Educational Term** is a semester, quarter, term, summer session, inter-session, or an equivalent unit.

**Eligible Educational Institution** is either:

- A state college or university or a technical college or institute or an independent college or university located in this state that is approved by the U.S. Secretary of Education and eligible to participate in a program under Title IV of the Higher Education Act of 1965, as amended; or
- A public or independent college or a university located outside this state that is approved by the U.S. Secretary of Education and eligible to participate in a program under Title IV of the Higher Education Act of 1965; or
- A Louisiana licensed proprietary school, licensed pursuant to R.S. Chapter 24-A of Title 17, and any subsequent amendments thereto and is eligible to participate in a program under Title IV of the Higher Education Act of 1965 (20 U.S.C. 1088), as amended.

**False or Misleading Information** is a statement or response made by a person, which is knowingly false or misleading, and made for the purpose of establishing a program account and/or receiving benefits to which the person would not otherwise be entitled.

**Fixed Earnings** refers to the placement of all Deposits in an ESA, to include the interest earned thereon, in investments that normally provide a fixed rate of return for a specific period of time.

**Earnings Enhancement Cap** refers to the maximum of Deposits in an account for which Earnings Enhancements will be paid. The Earnings Enhancement Cap is reached when an account has a current value that is equal to or exceeds five (5) times the annual Qualified Higher Education Expenses at the highest cost Louisiana public college or university, projected to the Scheduled Date of First Enrollment. For the purpose of determining the Earnings Enhancement Cap amount, the Tuition component of Qualified Higher Education Expenses is limited to undergraduate enrollment. The projected Qualified Higher Education Expenses at each Eligible Educational Institution shall be updated by LATTA. On the date of the Beneficiary's first enrollment in an Eligible Educational Institution, the Earnings Enhancement Cap will be fixed at five (5) times the annual Qualified Higher Education Expenses at the highest cost Louisiana public college or university, for the academic year of enrollment or the projected amount, whichever is greater.

**Independent Student** is a person who is defined as an Independent Student by the Higher Education Act of 1965, as amended (HEA), and if required, files an individual federal income tax return in his/her name and designates him/herself as the Beneficiary of an ESA. An Independent Student may only open an ESA as an Account Owner if he/she is eighteen (18) years or older.

The HEA defines **Independent Student** as a student who:

1. is 24 years of age or older by December 31 of the award year;
2. is an orphan, in foster care, or a ward of the court, or was an orphan, in foster care, or a ward of the court at any time when the individual was thirteen (13) years of age or older;
3. is, or was immediately prior to attaining the age of majority, an emancipated minor or in legal guardianship as determined by a court of competent jurisdiction in the individual's State of legal residence;
4. is a veteran of the Armed Forces of the United States (as defined in subsection (c)(1)) or is currently serving on active duty in the Armed Forces for other than training purposes;
5. is a graduate or professional student;
6. is a married individual;
7. has legal dependents other than a spouse;
8. has been verified during the school year in which the application is submitted as either an unaccompanied youth who is a homeless child or youth (as such terms are defined in section 725 of the McKinney-Vento Homeless Assistance Act), or as unaccompanied, at risk of homelessness, and self-supporting, by-
  - a) a local educational agency homeless liaison, designated pursuant to section 722(g)(1)(J)(ii) of the McKinney-Vento Homeless Assistance Act;

- b) the director of a program funded under the Runaway and Homeless Youth Act or a designee of the director;
  - c) the director of a program funded under subtitle B of title IV of the McKinney-Vento Homeless Assistance Act (relating to emergency shelter grants) or a designee of the director; or
  - d) a financial aid administrator; or
9. is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

**Legal Entity** is a juridical person including, but not limited to, groups, trusts, estates, associations, organizations, partnerships, and corporations that are incorporated, organized, established or authorized to conduct business in accordance with the laws of one or more states or territories of the United States. A Natural Person is not a Legal Entity.

**Louisiana Education Tuition and Savings Fund (the Fund)** is a special permanent fund maintained by the Louisiana State Treasurer for the purpose of the START Saving Program and is the account into which all initial Deposits made to ESAs are Deposited. The Fund includes the Savings Enhancement Fund, which is a special sub-account designated to receive EEs appropriated by the State, and interest earned thereon.

**Louisiana Tuition Trust Authority (LATTA)** is the statutory body responsible for administration of the START Saving Program.

**Louisiana Office of Student Financial Assistance (LOSFA)** is the agency of state government responsible for the day-to-day administration of the START Saving Program under the direction of LATTA.

**Louisiana Resident** is any person who resided in the State of Louisiana on the date of the application and who has manifested intent to remain in the state by establishing Louisiana as legal domicile, as demonstrated by compliance with all of the following:

- If registered to vote, is registered to vote in Louisiana;
- If licensed to drive a motor vehicle, is in possession of a Louisiana driver's license;
- If owning a motor vehicle located within Louisiana, is in possession of a Louisiana registration for that vehicle;
- If earning an income, has complied with state income tax laws and regulations.

**A member of the Armed Forces stationed outside of Louisiana, who claims Louisiana on his/her official DD Form 2058 as his/her "legal residence" for tax purposes, and is in compliance with state income tax laws and regulations shall be considered eligible for program participation. A member of the Armed Forces stationed in Louisiana under permanent change of station orders shall be considered eligible for program participation.**



Persons less than twenty-one (21) years of age are considered Louisiana Residents if they reside with and are dependent upon one or more persons who meet the above requirements.

A Legal Entity is considered to be a Louisiana Resident if it is incorporated, organized, established or authorized to conduct business in accordance with the laws of Louisiana or registered with the Louisiana Secretary of State to conduct business in Louisiana and has a physical place of business in Louisiana.

**Maximum Allowable Account Balance** is \$500,000.00. Once the Current Value of an ESA equals or exceeds the Maximum Allowable Account Balance, principal Deposits will no longer be accepted for the ESA.

**Member of the Family** is, with respect to the designated Beneficiary:

1. The spouse of such Beneficiary; or
2. An individual who bears one of the following relationships to such Beneficiary:
  - a) A son or daughter of the Beneficiary, or a descendant of either;
  - b) A stepson or stepdaughter of the Beneficiary;
  - c) A brother, sister, stepbrother, or stepsister of the Beneficiary;
  - d) The father or mother of the Beneficiary or an ancestor of either;
  - e) A stepfather or stepmother of the Beneficiary;
  - f) A son or daughter of a brother or sister of the Beneficiary;
  - g) A brother or sister of the father or mother of the Beneficiary;
  - h) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the Beneficiary.
  - i) Any first cousin of a Beneficiary; and
3. The spouse of an individual listed in items b.1 through 9.

**Mutual Fund** or **Funds** refer to the mutual funds of The Vanguard Group. (See the Investments section, above, for more detailed descriptions.)

**Natural Person** means a human being.

**Non-Qualified Distribution** refers to any distribution that is not a Qualified Distribution and is in most cases considered taxable. A Non-Qualified Distribution is also referred to as a Refund. See the definition of *Refund*, below.

**Other Person**, with respect to any designated Beneficiary, is any person, other than the Beneficiary, whether natural or juridical, who is not a Member of the Family, including but not limited to individuals, groups, trusts, estates, associations, organizations, partnerships, corporations, and custodians under the Uniform Transfers to Minors Act (UTMA).

**Partial Refund** refers to a refund of less than all the funds in an ESA. A Partial Refund of an ESA may occur only if:

- a) the Beneficiary is the recipient of a scholarship, waiver of Tuition or similar subvention,
- b) the Beneficiary furnishes LATTA with such information about the scholarship, waiver or similar subvention, and
- c) LATTA determines that the scholarship, waiver of Tuition or similar subvention cannot be converted into money by the Beneficiary.

**Person** is a human being or a juridical entity.

**Qualified Distribution** is a distribution that is used to pay Qualified Higher Education Expenses. A Qualified Distribution is also referred to in this Disclosure Booklet as a *Disbursement*.

**Qualified Education Loan** is a loan you took out solely to pay Qualified Education Expenses that were used for you, your spouse, or a person who was your dependent when you took out the loan; paid or incurred within a reasonable period of time before or after you took out the loan; and used for education provided during an academic period for an eligible student. Loans from a related person or qualified employer plan are not considered qualified education loans.

**Qualified Higher Education Expenses** are:

- a. tuition, fees, books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary at an eligible educational institution; and
- b. room and board; and
- c. expenses for special needs services in the case of a special needs beneficiary, which are incurred in connection with such enrollment or attendance; and
- d. for the calendar years 2009 and 2010 only, unless extended by Congress, expenses paid or incurred for the purchase of any computer technology or equipment or Internet access and related services, if such technology, equipment, or services are to be used by the beneficiary and the beneficiary's family during any of the years the beneficiary is enrolled at an eligible educational institution, but shall not include expenses for computer software designed for sports, games, or hobbies unless the software is predominately educational in nature.
- e. Expenses for fees, books, supplies, and equipment required for the participation of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under the National Apprenticeship Act (29 USC 50). Earning Enhancements cannot be disbursed for payment of expenses related to attendance in an apprenticeship program that is not offered through a postsecondary institution.



- f. Amounts of repaid principal and interest on any Qualified Education Loan of either a 529 plan designated beneficiary or a sibling of the designated beneficiary. To be a qualified expense, the loan repayment amount for an individual is subject to a lifetime limit of \$10,000.

**Qualified Tuition Program** is a college savings program that meets the requirements of Section 529 of the Internal Revenue Code and is frequently referred to as a 529 Plan.

**Rate of Expenditure** is the rate per Educational Term at which the EEs may be Disbursed from an ESA to pay for the Beneficiary's Qualified Higher Education Expenses at an Eligible Educational Institution. For each Disbursement requested by an Account Owner, EEs and the earnings thereon will be Disbursed from the ESA in the same ratio that they bear to the Current Value of the ESA.

**Redemption Value** is the cash value of the moneys in an ESA invested in the Louisiana Principal Protection Fund (a Fixed Earnings fund) that are attributable to the sum of the principal Deposited and the earnings on principal authorized to be credited to the ESA by LATTA, less any Disbursements and Refunds. The Redemption Value does not include any EEs allocated to the ESA or the earnings on EEs. Redemption Value is not applicable to an ESA invested in Variable Earnings.

**Refund** refers to any distribution from an ESA that is not a Qualified Distribution.

**Refund Recipient** is the person designated by the Account Owner in the START Saving Program Account Application or by operation of law to receive refunds from the ESA. The Refund Recipient can only be the Account Owner or the Beneficiary.

**Rollover** refers to any transfer of funds that involves a change in Beneficiary and is (i) between ESAs, (ii) from an account established in another state's Qualified Tuition Program to an ESA, or (iii) from an ESA to an account in another state's Qualified Tuition Program; provided that, in the case of a Rollover involving an account in another state's Qualified Tuition Program, as described in (ii) and (iii) above, the Rollover need not involve a change in Beneficiary, as long as the Rollover does not occur within twelve (12) months from the date of a previous Rollover from any Qualified Tuition Program to any other Qualified Tuition Program for the same Beneficiary regardless of whether or not the Account Owner for all the accounts involved is the same person. If the Rollover involves a change in Beneficiary, the new Beneficiary must be a Member of the Family of the replaced Beneficiary.

**Room and Board** is the reasonable cost for the Educational Term incurred by the designated Beneficiary for Room and Board while attending an Eligible Educational Institution on at least a half time basis, not to exceed the maximum amount included for Room and Board for such period in the cost of

attendance (as currently defined in §472 of the Higher Education Act of 1965, 20 U.S.C. 108711) as determined by the Eligible Educational Institution for such period, or if greater, the actual invoice amount the student residing in housing owned or operated by the Eligible Educational Institution is charged by such institution for Room and Board.

**Saving Enhancement Fund** is the sub-account established within the Tuition and Savings Fund by the State Treasurer to receive funds appropriated by the Legislature or donated from any other source for the purpose of funding EEs.

**Scheduled Date of First Enrollment** for a dependent Beneficiary is the month and year in which the Beneficiary turns eighteen (18) years of age. For an Independent Student over the age of eighteen (18), the scheduled date of first-enrollment is the date the ESA is opened. This date is used to determine eligibility for EEs. See the term *Earnings Enhancement Cap*.

**Special Needs Services [and Special Needs Beneficiary]** are services provided to a Beneficiary because the student has one or more disabilities.

**Trade Date** is the date that a Deposit to a Variable Earnings investment fund is assigned a value in units or the date a Disbursement or Refund from a Variable Earnings investment fund is assigned a value or the date of a change in a Variable Earnings investment fund is assigned a value, whichever is applicable.

**Tuition** is the mandatory educational charge required as a condition of enrollment. For purposes of determining the Earnings Enhancement Cap amount, Tuition is limited to undergraduate enrollment. It does not include non-resident fees, laboratory fees, Room and Board nor other similar fees and charges.

**Variable Earnings** refers to that portion of funds in an ESA invested in equities, bonds, short-term fixed income investments or a combination of any of the three.

**Variable Earnings Transaction Fund** is the subaccount established within the Louisiana Education Tuition and Savings Fund to receive funds as directed by rule.

## **APPENDIX C: CONTACT US**

If you have any questions concerning the START Saving Program or this Disclosure Booklet, or to obtain a START Saving Program Account Application, please contact the START Saving Program at one of the following:

### **The START Saving Program**

Web site: <http://www.startsaving.la.gov>

Telephone: 800-259-5626

E-mail: [START@osfa.la.gov](mailto:START@osfa.la.gov)

U. S. Mail: START Saving Program  
Louisiana Office of Student Financial Assistance  
Post Office Box 91271  
Baton Rouge, LA 70821-9271

Overnight Mail: START Saving Program  
Louisiana Office of Student Financial Assistance  
602 North Fifth Street  
Baton Rouge, LA 70802

### **The Vanguard Group**

To obtain a prospectus for the underlying investments in a Variable Earnings investment fund, contact The Vanguard Group.

**DO NOT SEND ANY DOCUMENTS OR DEPOSITS TO THE VANGUARD GROUP.**

Web site: [www.vanguard.com](http://www.vanguard.com)

U. S. Mail: The Vanguard Group  
Post Office Box 1110  
Valley Forge, PA 19482-1110

## **APPENDIX D: PROGRAM FEE DISCLOSURE**

(As of April 8, 2020 - Fees/costs are subject to change at any time.)

**TABLE 1 - FEES**

Investment	Ticker Symbol	Investment Distribution	Annual Asset-Based Fees						Additional Investor Expenses	
			Underlying Fund Expenses <sup>1</sup>	Program Manager Fee	State Fee	Misc. Fees	Annual Distribution Fee	Total Annual Asset-Based Fees	Maximum Initial Sales Charge	Annual Account Maintenance Fee
Louisiana Principal Protection Fund										
Louisiana Principal Protection Fund	N/A	100%	0%	0%	0%	0%	0%	0%	\$0.00	\$0.00
Age Based Moderate Track										
Vanguard LifeStrategy Moderate Growth Fund	VSMGX	Ages 0 – 5: 100%	0.13% (2/27/20)	0%	0%	0%	0%	0.13%	\$0.00	\$0.00
Vanguard LifeStrategy Conservative Growth Fund	VSCGX	Ages 6 – 10: 100%	0.12% (2/27/20)	0%	0%	0%	0%	0.12%	\$0.00	\$0.00
Vanguard LifeStrategy Income Fund	VASIX	Ages 11 – 15: 100%	0.11% (2/27/20)	0%	0%	0%	0%	0.11%	\$0.00	\$0.00
Louisiana Principal Protection Fund	N/A	Ages 16+: 100%	0%	0%	0%	0%	0%	0%	\$0.00	\$0.00
Age Based Growth Track										
Vanguard LifeStrategy Growth Fund	VASGX	Ages 0 – 5: 100%	0.14% (2/27/20)	0%	0%	0%	0%	0.14%	\$0.00	\$0.00
Vanguard LifeStrategy Moderate Growth Fund	VSMGX	Ages 6 – 10: 100%	0.13% (2/27/20)	0%	0%	0%	0%	0.13%	\$0.00	\$0.00
Vanguard LifeStrategy Conservative Growth Fund	VSCGX	Ages 11 – 15: 100%	0.12% (2/27/20)	0%	0%	0%	0%	0.12%	\$0.00	\$0.00
Louisiana Principal Protection Fund	N/A	Ages 16+: 100%	0%	0%	0%	0%	0%	0%	\$0.00	\$0.00
Age Based Aggressive Track										
Vanguard LifeStrategy Growth Fund	VASGX	Ages 0 – 8: 100%	0.14% (2/27/20)	0%	0%	0%	0%	0.14%	\$0.00	\$0.00
Vanguard LifeStrategy Moderate Growth Fund	VSMGX	Ages 9 – 12: 100%	0.13% (2/27/20)	0%	0%	0%	0%	0.13%	\$0.00	\$0.00
Vanguard LifeStrategy Conservative Growth Fund	VSCGX	Ages 13 – 15: 100%	0.12% (2/27/20)	0%	0%	0%	0%	0.12%	\$0.00	\$0.00
Louisiana Principal Protection Fund	N/A	Ages 16+: 100%	0%	0%	0%	0%	0%	0%	\$0.00	\$0.00
Vanguard Total World Stock Index Fund										
Vanguard Total World Stock Index Fund, Institutional Shares	VTWIX	100%	0.08% (2/27/20)	0%	0%	0%	0%	0.08%	\$0.00	\$0.00
Vanguard Total Stock Market Index Fund										

Investment	Ticker Symbol	Investment Distribution	Annual Asset-Based Fees						Additional Investor Expenses	
			Underlying Fund Expenses <sup>1</sup>	Program Manager Fee	State Fee	Misc. Fees	Annual Distribution Fee	Total Annual Asset-Based Fees	Maximum Initial Sales Charge	Annual Account Maintenance Fee
Vanguard Institutional Total Stock Market Index Fund, Institutional Plus Shares	VITPX	100%	0.02% (4/26/19)	0%	0%	0%	0%	0.02%	\$0.00	\$0.00
<b>Vanguard Total International Stock Index Fund</b>										
Vanguard Total International Stock Index Fund, Institutional Shares	VTSNX	100%	0.08% (2/27/20)	0%	0%	0%	0%	0.08%	\$0.00	\$0.00
<b>Vanguard Small-Cap Index Fund</b>										
Vanguard Small Cap Index Fund, Institutional Shares	VSCIX	100%	0.04% (4/26/19)	0%	0%	0%	0%	0.04%	\$0.00	\$0.00
<b>Vanguard Mid-Cap Index Fund</b>										
Vanguard Mid-Cap Index Fund, Institutional Shares	VMCIX	100%	0.04% (4/26/19)	0%	0%	0%	0%	0.04%	\$0.00	\$0.00
<b>Vanguard Large-Cap Index Fund</b>										
Vanguard Large Cap Index Fund, Institutional Shares	VLISX	100%	0.04% (4/26/19)	0%	0%	0%	0%	0.04%	\$0.00	\$0.00

- 1 The "Underlying Fund Expenses" are not charged directly to ESAs; however, the fee is deducted from the total funds invested in this equity investment and reduces the value of the START Saving Program units owned by the Account Owner.

### **Approximate Cost of \$10,000 Investment:**

The START Saving Program does not charge an Account Owner any fees for opening or maintaining an ESA. The State of Louisiana pays most of the costs of the START Saving Program; however, the investment management fees charged by The Vanguard Group for the program's investments in Vanguard mutual funds are deducted from the total funds invested in a specific mutual fund thereby reducing the total funds invested in that mutual fund and reducing the value of the START Saving Program units owned by the Account Owner.

Table 2, below, compares the approximate cost of investment management fees to the START Saving Program over different periods of time. The actual cost may be higher or lower. The table is based on the following assumptions:

- A \$10,000 investment for the time periods shown.
- A 5% annually compounded rate of return on the amount invested throughout the period.
- The investment management fee is prorated by 365 days and deducted on a daily basis based on the value of the total amount invested in the fund. (Example: The investment management fee for the Vanguard Small Cap Index Fund, Institutional Shares is 0.04% that is prorated by 365 days to be 0.0001096% per day).
- All units are disbursed at the end of the period shown for payment of Qualified Higher Education Expenses. (The table does not consider the impact of any potential state or federal taxes on a partial or total redemption of the amount invested.)
- Total annual asset-based fees remain the same as those shown in Table 1.
- There is no annual ESA maintenance fee.

**TABLE 2 - PURCHASE AND INVESTMENT MANAGEMENT FEES BASED ON A \$10,000 INVESTMENT**

Investment Funds	Ticker Symbol	Investment Distribution	One Time Purchase Fee	One Year	Three Years	Five Years	Ten Years
<b>Louisiana Principal Protection Fund</b>							
<b>Louisiana Principal Protection Fund</b>	N/A	100%	\$0	\$0	\$0	\$0	\$0
<b>Age Based Moderate Track</b>							
Vanguard LifeStrategy Moderate Growth Fund	VSMGX	Ages 0 – 5: 100%	\$0	\$13.33	\$42.07	\$73.84	N/A
Vanguard LifeStrategy Conservative Growth Fund	VSCGX	Ages 6 – 10: 100%	\$0	\$12.30	\$38.84	\$68.16	N/A
Vanguard LifeStrategy Income Fund	VASIX	Ages 11 – 15: 100%	\$0	\$11.28	\$35.60	\$62.48	N/A
<b>Louisiana Principal Protection Fund</b>	N/A	Ages 16+: 100%	\$0	\$0	\$0	\$0	\$0
<b>Age Based Growth Track</b>							
Vanguard LifeStrategy Growth Fund	VASGX	Ages 0 – 5: 100%	\$0	\$14.35	\$45.31	\$79.52	N/A
Vanguard LifeStrategy Moderate Growth Fund	VSMGX	Ages 6 – 10: 100%	\$0	\$13.33	\$42.07	\$73.84	N/A
Vanguard LifeStrategy Conservative Growth Fund	VSCGX	Ages 11 – 15: 100%	\$0	\$12.30	\$38.84	\$68.16	N/A
<b>Louisiana Principal Protection Fund</b>	N/A	Ages 16+: 100%	\$0	\$0	\$0	\$0	\$0
<b>Age Based Aggressive Track</b>							
Vanguard LifeStrategy Growth Fund	VASGX	Ages 0 – 8: 100%	\$0	\$14.35	\$45.31	\$79.52	\$137.70 <sup>1</sup>
Vanguard LifeStrategy Moderate Growth Fund	VSMGX	Ages 9 – 12: 100%	\$0	\$13.33	\$42.07	\$57.56 <sup>2</sup>	N/A
Vanguard LifeStrategy Conservative Growth Fund	VSCGX	Ages 13 – 15: 100%	\$0	\$12.30	\$38.84	\$53.13 <sup>2</sup>	N/A
<b>Louisiana Principal Protection Fund</b>	N/A	Ages 16+: 100%	\$0	\$0	\$0	\$0	\$0
<b>Vanguard Total World Stock Index Fund</b>							
Vanguard Total World Stock Index Fund, Institutional Shares	VTWIX	100%	\$0	\$8.20	\$25.89	\$45.44	\$103.79
<b>Vanguard Institutional Total Stock Market Index Fund</b>							
Vanguard Institutional Total Stock Market Index Fund, Institutional Plus Shares	VITPX	100%	\$0	\$2.05	\$6.47	\$11.36	\$25.95
<b>Vanguard Total International Stock Index Fund</b>							
Vanguard Total International Stock Index Fund, Institutional Shares	VTSNX	100%	\$0	\$8.20	\$25.89	\$45.44	\$103.79
<b>Vanguard Small-Cap Index Fund</b>							
Vanguard Small Cap Index Fund, Institutional Shares	VSCIX	100%	\$0	\$4.10	\$12.95	\$22.72	\$51.89
<b>Vanguard Mid-Cap Index Fund</b>							
Vanguard Mid-Cap Index Fund, Institutional Shares	VMCIX	100%	\$0	\$4.10	\$12.95	\$22.72	\$51.89
<b>Vanguard Large-Cap Index Fund</b>							
Vanguard Large Cap Index Fund, Institutional Shares	VLISX	100%	\$0	\$4.10	\$12.95	\$22.72	\$51.89

<sup>1</sup> Eight years.

<sup>2</sup> Four years.



**TABLE 3 - SALES CHARGES:**

START Savings Program Amount Invested	Up-Front Sales Charge Percent	B Units sold within Year	Deferred Sales Charge
Any Amount	0%	Any Number	0%

There are no deferred sales charges on START ESAs.

**TABLE 4 - POSSIBLE ADDITIONAL FEES:**

	Percent	Dollars
Application Fee	0%	\$0
Cancellation Fee	0%	\$0
Change in Beneficiary	0%	\$0
Change in Investments	0%	\$0
Other Charges	0%	\$0

There are no additional fees or expenses deducted from each ESA or paid directly by the investor.

## APPENDIX E: PERFORMANCE CHARTS

TABLE 5 - DEPOSITS AND ESAs OUTSTANDING AT YEAR-END

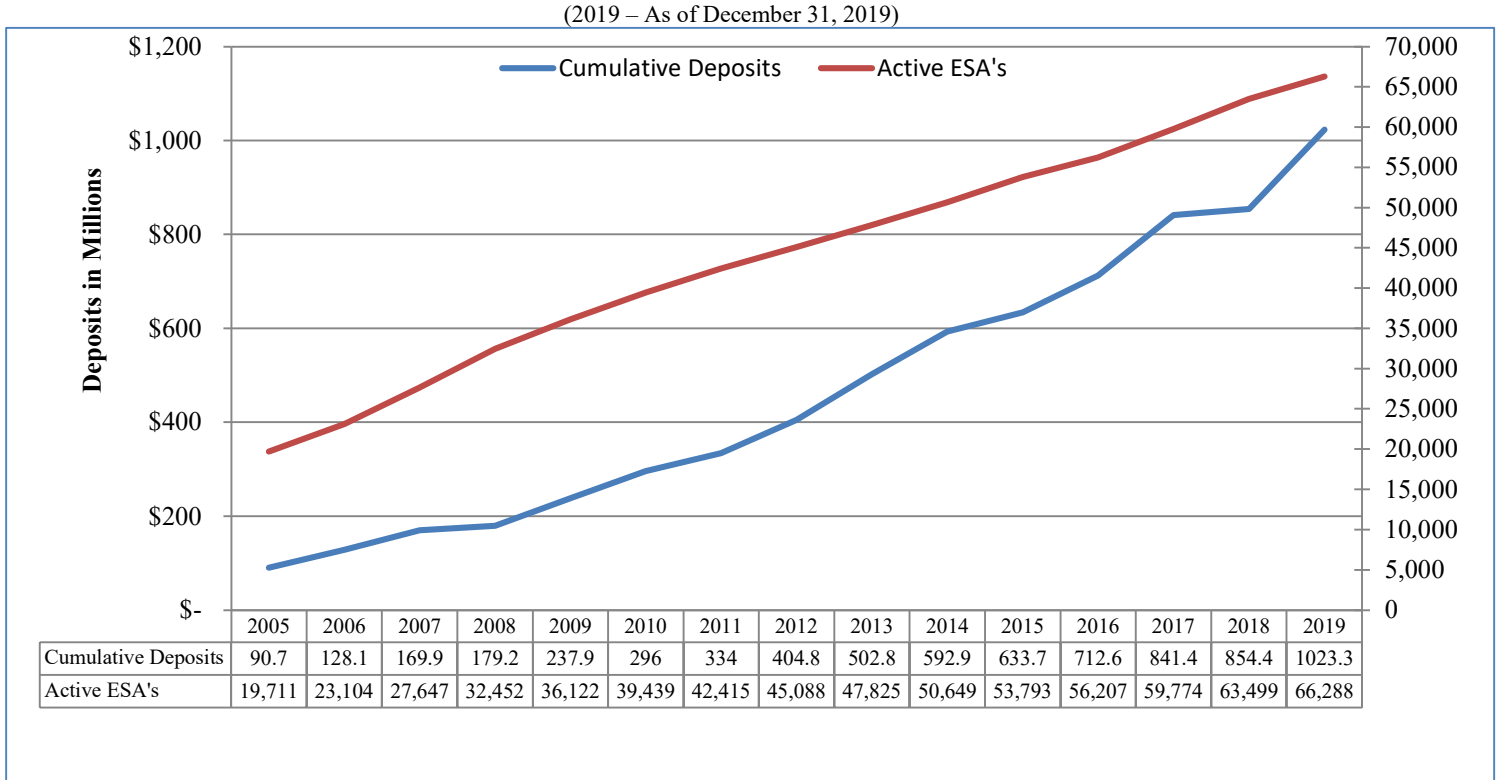


TABLE 6 - ESA DATA

As of December 31, 2019

AGI Range	EE Rate	# of ESAs	% of Total	Dollar Amount	% of Total
0 to \$29,999	14%	3,654	5.26%	\$31,658,727.39	2.99%
\$30,000 to \$44,999	12%	2,287	3.29%	\$15,306,372.09	1.45%
\$45,000 to \$59,999	9%	2,756	3.97%	\$19,750,223.69	1.87%
\$60,000 to \$74,999	6%	2,958	4.26%	\$23,129,700.96	2.18%
\$75,000 to \$99,999	4%	6,129	8.83%	\$53,100,036.17	5.02%
\$100,000 and above	2%	41,909	60.34%	\$784,988,473.03	74.15%
AGI Not Verified (Category 1, 2, 3 & 6)	2%	9,097	13.10%	\$124,457,996.46	11.76%
Category 4 – AGI Verified	2%	163	0.23%	\$661,509.64	0.06%
Category 4 – AGI Not Verified	2%	412	0.59%	\$4,117,401.29	0.39%
Category 5 – AGI Verified	0%	29	0.04%	\$59,058.47	0.01%

Category 5 – AGI Not Verified	0%	56	0.08%	\$1,402,110.47	0.13%
<b>Total</b>		<b>69,450</b>	<b>100.0%</b>	<b>\$1,058,631,609.66</b>	<b>100.0%</b>

## **TABLE 7 - PARTICIPATION BY INVESTMENT**

As of March 31, 2016

<b>Funds</b>	<b>Ticker Symbol</b>	<b>Amount Invested (Market)</b>	<b>%</b>
Louisiana Principal Protection Fund	N/A	\$298,847,266.23	32.31%
Vanguard LifeStrategy Moderate Growth Fund	VSMGX	\$68,863,013.59	7.45%
Vanguard LifeStrategy Conservative Growth Fund	VSCGX	\$64,774,631.74	7.00%
Vanguard LifeStrategy Income Fund	VASIX	\$76,150,997.07	8.23%
Vanguard LifeStrategy Growth Fund	VASGX	\$62,478,713.27	6.76%
Vanguard Total World Stock Index Fund, Institutional Shares	VTWIX	\$12,639,022.20	1.37%
Vanguard Institutional Total Stock Market Index Fund Institutional Plus Shares	VITPX	\$228,059,564.06	24.66%
Vanguard Total International Stock Index Fund Institutional Shares	VTSNX	\$20,834,239.14	2.25%
Vanguard Small-Cap Index Fund, Institutional Shares	VSCIX	\$22,781,857.05	2.46%
Vanguard Mid-Cap Index Fund, Institutional Shares	VMCIX	\$24,912,510.19	2.69%
Vanguard Large-Cap Index Fund, Institutional Shares	VLISX	\$44,455,618.00	4.81%
<b>TOTAL START INVESTMENTS</b>		<b>\$924,797,432.54</b>	<b>100.00%</b>
Earnings Enhancement Fund		\$22,534,043.99	
<b>TOTAL START ASSETS</b>		<b>\$947,331,476.53</b>	

## TABLE 8 - AVERAGE ANNUAL RETURNS

As of March 31, 2020<sup>1, 2</sup>

Vanguard Funds	1 Year	3 Year	5 Year	10 Year	Since Inception (Inception Date)	Annual Total Return 2019
Vanguard LifeStrategy Income Fund (VASIX) <sup>3</sup>	3.63%	4.15%	3.42%	4.59%	6.05% (9-30-1994)	12.05%
Vanguard LifeStrategy Conservative Growth Fund (VSCGX) <sup>3</sup>	-0.30%	3.59%	3.49%	5.39%	6.52% (9-30-1994)	15.68%
Vanguard LifeStrategy Moderate Growth Fund (VSMGX) <sup>3</sup>	-4.28%	2.92%	3.46%	6.20%	7.04% (9-30-1994)	19.37%
Vanguard LifeStrategy Growth Fund (VASGX) <sup>3</sup>	-8.22%	2.17%	3.33%	6.78%	7.28% (9-30-1994)	23.13%
Vanguard Total World Stock Index Fund, Institutional Shares (VTWIX)	-12.30%	1.07%	2.79%	6.00%	8.25% (10-9-2008)	26.78%
Vanguard Institutional Total Stock Market Index Fund, Institutional Plus Shares (VITPX)	-9.22%	4.01%	5.78%	10.21%	6.44% (5-31-2001)	30.88%
Vanguard Total International Stock Index Fund, Institutional Shares (VTSNX)	-16.55%	-2.52%	-0.65%	NA	2.01% (11-29-2010)	21.56%
Vanguard Small-Cap Index Fund, Institutional Shares (VSCIX)	-23.34%	-3.26%	0.43%	7.86%	7.21% (7-7-1997)	27.40%
Vanguard Mid-Cap Index Fund, Institutional Shares (VMCIX)	-16.63%	-0.25%	2.10%	8.87%	8.43% (5-21-1998)	31.09%
Vanguard Large-Cap Index Fund, Institutional Shares (VLISX)	-6.92%	5.15%	6.58%	10.50%	7.77% (6-30-2005)	31.39%
<b>LOUISIANA PRINCIPAL PROTECTION FUND &amp; EARNINGS ENHANCEMENT FUND</b>						
As of December 31, 2019						
Louisiana Funds	1 Year	3 Year	5 Year	10 Year	Since Inception	Annual Total Return 2019
Louisiana Principal Protection Fund	2.19%	1.87%	1.78%	2.14%	3.92% (1997)	2.19%
Earnings Enhancement Fund	2.27%	1.85%	1.58%	1.87%	3.81% (1997)	2.27%

<sup>1</sup> Updated performance information is available online at [https://www.startsaving.la.gov/Common/Docs/Investment\\_Performance\\_Report.pdf](https://www.startsaving.la.gov/Common/Docs/Investment_Performance_Report.pdf).

<sup>2</sup> The performance data shown represents past performance. Past performance is not a guarantee of future results. Investment returns and principal value will fluctuate, so that investors' units (shares), when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data cited.

<sup>3</sup> THE LIFE STRATEGY FUNDS ARE UTILIZED IN THE PROGRAM'S AGE-BASED TRACKS. ASSETS INVESTED IN APPLICABLE PORTFOLIOS ON BEHALF OF PARTICULAR BENEFICIARIES ARE AUTOMATICALLY TRANSFERRED TO ANOTHER PORTFOLIO WHEN BENEFICIARIES REACH A SPECIFIED AGE AND MAY NOT REMAIN INVESTED IN THE REFERENCED PORTFOLIO FOR A P